

Canada	50.22	France	100.00	Germany	100.00	Italy	100.00
Japan	100.00	UK	100.00	US	100.00	West Germany	100.00
Spain	100.00	Sweden	100.00	Switzerland	100.00	Belgium	100.00
Netherlands	100.00	Australia	100.00	New Zealand	100.00	Portugal	100.00
Greece	100.00	India	100.00	Singapore	100.00	South Korea	100.00
China	100.00	Taiwan	100.00	Thailand	100.00	Malaysia	100.00
Philippines	100.00	Indonesia	100.00	Brunei	100.00	Myanmar	100.00
Laos	100.00	Cambodia	100.00	Vietnam	100.00	North Vietnam	100.00
South Vietnam	100.00	East Germany	100.00	West Germany	100.00	Poland	100.00
Czech Republic	100.00	Slovakia	100.00	Hungary	100.00	Czechoslovakia	100.00
Soviet Union	100.00	USSR	100.00	USSR	100.00	USSR	100.00

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,385

Tuesday November 10 1987

D 8523 A

Sweden: Where the job policies succeed almost too well, Page 2

## World News

## Business Summary

### Worldwide climate threatened, Senate told

World-wide temperatures would rise dramatically in the next 20 years, with severe effects on weather and climate, unless mankind reduced its dependence on fossil fuels, scientists told a Senate hearing in Washington.

Meanwhile in Denmark a climate expert told an environmental conference organised by the European Parliament and Danish Environment Protection Agency that pollution was a "chemical time bomb" which could raise global temperatures to dangerous levels.

In Bonn, West German scientists said a three-year study had revealed that North Sea pollution was worse than presumed. The sea was absorbing heavy metals carried by winds from industries in mid-west England and the German Ruhr area.

### European space row

France and Britain clashed over Western Europe's proposed space programme, with the UK suggesting that the 13 European Space Agency nations were being asked to spend large sums on projects aimed at meeting French aspirations.

### N-test negotiations

The US and Soviet Union started their first negotiations in seven years on curbing nuclear test explosions. A US official in Geneva said two agreements could be ready in six months.

### Lebanese peace call

More than 60,000 Christian and Moslem Lebanese tore down barriers along Beirut's "Green Line" and embraced in a united demand for an end to their war. Protestors in Tripoli, Sidon and Tyre clamoured for the Government's downfall.

### Terrorist N-threat

The risk was rising that terrorists could steal radioactive materials and use them to build nuclear weapons, a US Defence Department report said.

### Colombo bomb kills 32

Thirty-two people were killed and 108 wounded by a car-bomb in a suburb of Colombo, Sri Lanka, while President Junius Jayewardene was discussing two bills aimed at ending the four-year Tamil rebellion. Earlier report, Page 25.

### US bases discussed

Negotiations between the US and Greece on the future of the four American military bases in Greece began in Athens. The present agreement on their operation expires in December next year. Page 2.

### Dhaka demo violence

At least 20 people were injured when police in Dhaka used tear-gas and batons to break up crowds of opposition supporters defying a ban on demonstrations in the Bangladesh capital.

### EC to aid Africans

EC ministers approved a \$120m aid programme aimed at helping sub-Saharan African states pay for vital imports.

### Referendums shunned

Early results indicated a low turnout by Italians for referendums on legal reform and nuclear power. Page 3.

### FAO chief re-elected

Edouard Saouma of Lebanon, director-general of the UN Food and Agriculture Organisation, was elected to an unprecedented third six-year term. Page 3.

### Ruhr Olympics bid

West Germany's Ruhr industrial region applied to host the next available Summer Olympics, either in 1995 or later.

### Robots guard church

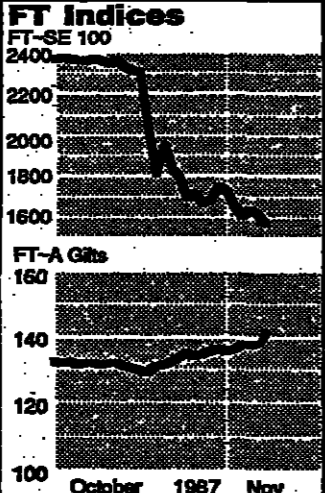
Fourteen small robot fire engines are to be installed in an historic wooden church on Kizhi Island, Soviet Karelia.

### Toyota to expand US car plant facilities

TOYOTA, leading Japanese car manufacturer, said it would add a \$300m engine and transmission plant to the \$800m car assembly operation which it is already constructing in the US.

UNISYS, US computer manufacturer, has agreed to acquire Timeplex, voice/data networking technology company with earnings of \$19.5m on revenues of \$147.2m for year ended June 30.

LONDON: Uncertainty over the direction of the dollar and overseas markets left share prices sharply lower. Gilt edged higher on prospects for a further rise.



their cut in interest rates. The FT-SE 100 index closed down 55.6 at 1,565.2 and the FT Ordinary index lost 42.0 to 1,232.0.

TOKYO: Worries over the yen's continued rise against the dollar depressed equities for the second successive session. The Nikkei average lost 218.64 to close at 22,418.37.

WALL STREET: At 3pm the Dow Jones industrial average was down 54.54 at 4,504.51.

DIETHELM industries, diversified US engineering group, is in negotiations with Oranstein and Koppel of West Germany to merge some of the two companies' engineering and machinery businesses. Page 25.

ROYAL Bank of Canada is holding talks with Dominion Securities and other Canadian investment dealers, but will make a brokerage acquisition only at the right time and price, it said. Page 25.

PANAMA, recently privatised French banking group, raised profits 1 per cent in the first half to FF973m (\$170.7m), excluding minorities. Page 25.

MOULINEX, troubled French kitchen equipment manufacturer, should be breaking even by the year end and is sticking to its forecast of a FF42m (\$7.37m) loss this year, even though sales dropped 12 per cent to Y155m. Page 31.

CANADIAN forest products companies after nearly five years of strong recovery, are watching for signs of recession coming in 1989 after the US presidential elections. Page 25.

MAKINO Milling, leading Japanese machine tool builder, suffered its first loss since listing its shares in 1974, with sales down 14.9 per cent to Y18.1bn (\$133.8m) in six months to September. Page 31.

TEIJIN, leading Japanese textile manufacturer, reported pre-tax profits jumped 40 per cent from a year earlier to Y10.4bn (\$77.7m) even though sales dropped 12 per cent to Y155m. Page 31.

FLETCHER Challenge, New Zealand's largest forestry company, had its application to take over its major competitor, NZ Forest Products, turned down by the Commerce Commission. Page 31.

PREMIER Group, diversified South African food and milling group, reported a further 66 per cent rise in pre-tax profits to R28.6m (\$45.1m) in the six months to September after a record 78.3 per cent jump in the year to March. Page 31.

## Small-town kid sets his sights on the political big time

"DOLE'S DOLLS" of Russell, Kansas, have become the six grandpas for Dole in the 27 years since he helped Senator Robert Dole win his first congressional election in 1960.

But on Sunday night they and several hundred mainly Republican well-wishers turned out in force at the Veterans of Foreign Wars building in the senator's home town to wish the 64-year-old candidate well as he prepared to launch formally a campaign for the presidency which has been in full swing for at least two years and has a \$10m war chest.

The announcement came yesterday in the town of Russell, a tiny mid-Western town of 5,000 people in the heart of the American grain belt.

Mr Dole was surrounded by neighbours and friends, many of whom will have remembered

### Stewart Fleming in Kansas on the launch of Robert Dole's presidential campaign

his days as a "soda-jerk" working part-time during his high school years at the local drug store. The man who most political analysts believe, and the polls show, has the best chance of denying vice-president George Bush the Republican Party presidential nomination told them in a thinly veiled attack on Mr Bush: "I offer a record, not a resume."

It is of course no accident that Mr Dole, whose sharp tongue and conservative views encouraged President Gerald Ford to select him as his vice-president

running mate in 1976, chose once again to launch an election campaign from his home town.

In a presidential election in which political ideology is playing a minor role and questions of character and experience are being identified as more important in the minds of the voters, Mr Dole is presenting himself as the tough, hard-working, former small-town kid who can understand what ordinary Americans want from a president because he has never lost touch with his humble origins.

There can be no question about his resilience or the gen-

uineness of his feelings for his home town. These are the people who made his political career possible, helping first to pay his medical bills as he fought to recover from the near-fatal war wounds he suffered in Italy and which left him with a right arm which he cannot use, even to shake hands.

That experience left him with a compassion for the infirm, the poor and the disadvantaged, not qualities voters traditionally identify with the Republican Party.

But Mr Dole's character has a darker side. Some in Washington are convinced that he will be unable to shake-off the "hatchet-man" image which surfaced most notably during his 1976 vice-presidential election campaign and that the acid wit



Robert Dole back at the soda bar where he once worked

Continued on Page 23

## Central bankers call for action to ease turmoil in markets

BY ANDREW FISHER IN BASLE, SIMON HOLBERTON IN LONDON AND RODERICK ORAM IN NEW YORK

LEADING world central bankers yesterday met to try to defuse the tension on the currency scene as the dollar hit new lows against major currencies and stock markets remained under selling pressure while investors awaited the outcome of US budget negotiations to give them a lead.

Despite several hours spent discussing the turbulence on world financial markets at their regular monthly meeting of the Bank for International Settlements, the central bankers came up with no new measures to deal with the situation.

The dollar fell below DM 1.67 in London where the stock market, which had opened weaker on nervousness over the US budget talks, also fell further when Wall Street began trading at levels lower than those prevailing on Friday.

The BIS meeting was not designed to find solutions to the economic problems that have led to collapsing share prices and a rapidly weakening US currency.

However, in a diplomatically worded statement, the governors of the Group of Ten main industrialised nations highlighted the importance of government action, which they said they would support with "appropriate monetary policies".

This was taken to mean that central banks would, where possible, adopt an easier monetary stance to ensure that adequate liquidity was maintained in the financial system.

The bland statement made no direct reference to the US budget deficit or to the continuing high trade surpluses achieved by Japan and West Germany.

Among German policy-makers the desire for growth is generally balanced by concern over re-inflating inflation.

Mr Satoshi Sumita, governor of the Bank of Japan, said during a break in the meeting that he and Mr Alan Greenspan,

chairman of the US Federal Reserve Board, wanted currency stability but had not discussed joint measures; neither had the US moved down to lower interest rates. Mr Greenspan had no comment to make.

The joint statement of the Group of Ten governors said they had agreed in their analysis of the present financial situation and on the policies needed to deal with it.

"They stressed the importance of moves by governments of market interest rates to lower interest rates," said a spokesman.

Recent measures taken to maintain the smooth functioning of the financial system and reaffirm their commitment to that end."

Mr Lamberto Dini, deputy governor of the Bank of Italy, said he doubted that there would be a co-ordinated round of interest cuts. He also dismissed any possibility of a second Lomé accord on currency stability, saying reporters could take a holiday before this would occur.

As the dollar continued its slide bond prices soared on expectations of further interest rate cuts by central banks concerned to maintain liquidity at low levels to stave off the effects of the stock market crash on the economy and the securities industry.

Gilt prices rose nearly 2 points during the day in London, with long-dated indicator bonds yielding 8.91 per cent. In New York, bond prices continued to hold up well in the face of a declining dollar, with long-term US Treasuries around 8.85 per cent.

Despite the continuing slide in the dollar's value and the falls in share markets, dealers and economists said trading was subdued and volumes well down on previous days. Most trading was between dealers as retail investors stayed on the sidelines, they said.

The statement released by central bank governors failed to arrest the slide in the US currency and the fall in the Dow Jones Industrial Average during the morning. With a lack of news, positive or negative, to drive stocks, "the market is falling under past week's weight," said one market analyst.

Foreign exchange dealers also said the markets took their lead from Washington.

## Lawson optimistic on outlook for G-7 currency co-operation

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

THE GROUP of Seven nations could meet to reaffirm last February's Lomé accord within a week or so of any deal in Washington which secured a credible cut in the US budget deficit, Mr Nigel Lawson, the UK Chancellor of the Exchequer, said yesterday.

Further reductions in British interest rates would be a "distinct possibility" as part of a package to give a new lease of life to international co-operation, he said. The Government would be much more reluctant, however, to loosen significantly its fiscal policy if the recent turmoil in financial markets had a more damaging impact on Britain's economy than at present seemed likely.

In an interview with the Financial Times, the Chancellor appeared optimistic that the

seven - the US, Japan, West Germany, France, Britain, Italy and Canada - will secure a German accord to promote currency stability.

Comments last week by Mr James Baker, the US Treasury Secretary, suggesting that Washington was prepared to see the dollar fall were aimed primarily at assuaging domestic concerns about the possibility of a recession. The US Administration would want to see February's agreement "reinstated" once it had secured a budget package, he said.

The Chancellor added that Thursday's move by the Bundesbank to lower its Lombard and repurchase rates had met his earlier criticism that the West German central bank had been too inflexible in its monetary policy.

He gave a clear hint, however, that West Germany would face pressure to pursue the rates lower still in the event of a meeting of the Group of Seven.

Mr Lawson, who has kept in close contact with Mr Baker since the past week, appeared optimistic that the Administration would secure a deal with Congress to reduce the deficit. He repeated, however, that the \$22bn reduction envisaged in the Gramm-Rudman-Hollings law should represent only the start of the "bidding". There was also a tremendous symbolic importance attached to the need for some element of tax increases in the package.

Once a deal was agreed in Washington, there would have been one market analyst.

Continued on Page 25

Details, Page 13

### Brazil court supports car maker's price rise

By Ivo Dawson in Rio de Janeiro

THE HEAD-ON confrontation over car prices between the Brazilian Government and Autolatina - Ford and Volkswagen's holding company - was defused yesterday when the Federal Appeals Court (TRF) issued a preliminary ruling in the car maker's favour.

The ruling authorised Autolatina to continue charging the 28 per cent price rise it imposed unilaterally last week until a full judgment by the court's 26 judges is reached - possibly in a month's time.

It also ordered the Government to withdraw its legal and credit sanctions, applied against the company last Friday amid outraged claims in Brasília that the manufacturer had ignored price controls in open defiance of the law.

A court official said it was fair to judge the decision as "a temporary victory" for Autolatina, but that the final outcome would only be known when the court gave a full judgment.

In fact, the interim adjudication is also likely to be greeted with considerable relief by the Government which had seen no easy face-saving route out of the row.

It will also be welcomed by industrialists who had expressed serious alarm that Brazil's capacity to attract foreign investment, already badly weakened by last February's debt moratorium, would be irreparably damaged by the case.

Autolatina had launched the court action last week in a bid to seek a ruling on the legality of a special protocol agreed between the former Finance Min-

Continued on Page 25

Brazil industrial production figures Page 4

## UK and Ireland to intensify security talks

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT, IN LONDON

BRITAIN and the Republic of Ireland are expected to hold direct talks on security issues following this week's bombing in the British province of Northern Ireland in which 11 people were killed and more than 60 injured.

The timing and venue for the talks have not been disclosed but they are expected to involve Mr Tom King, the British Secretary for Northern Ireland, and Mr Brian Lenihan, the Irish Foreign Minister, and Mr Gerry Collins, the Republic's Minister of Justice. The talks are to concentrate on further improvements in cross-border security.

The British Government yesterday came under intense pressure to step up security measures within the province and to take tougher action against the IRA, which last night admitted responsibility for the explosion at the town of Enniskillen.

The IRA said it deeply regretted the "catastrophic" consequences and claimed the bomb had been set for the security forces but had exploded without being triggered.

Mr Gerry Adams, president of Sinn Féin (the political wing of the IRA) and British Member of Parliament for Belfast West, said he very much regretted an action which he would not attempt to justify.

The Daily (Irish) parliament is to consider ratification of an extradition treaty with Britain on December 1 and Mr King will tell Irish ministers that the latest series of events north of the border forcefully underline the case for its early approval.

Mr King, after making a statement on the bombing in the House of Commons which was met with angry outbursts from Unionist MPs calling for tougher, anti-terrorist measures, joined Mrs Thatcher in a one-hour meeting with a delegation led by Mr Ken Maginnis, the Official Unionist MP whose constituency includes Enniskillen.

Mrs Thatcher listened to representatives of the local community, including a survivor of the explosion, repeatedly call for better security and the introduction of selective internment for suspected terrorists.

The Prime Minister pledged the Government's continuing commitment to maintain security in the province, but said that it could not act on emotion and had to consider what would best reduce terrorism. Ministers are not thought to be actively considering internment as a preventative step, although it remains an option.

Earlier in the Commons, Mr Maginnis said he had been devastated by Sunday's bombing and "doubly devastated" by Mr King's statement which, he said, offered only platitudes and represented "a total let-down" for his suffering constituents. All they had been offered was a further abdication of the responsibilities of the Northern Ireland Office and the British Government to the government of a foreign state.

Mr King made clear the Government's belief that, despite setbacks like Enniskillen, it was making slow but steady progress in the fight against terrorism and called for closer inter-

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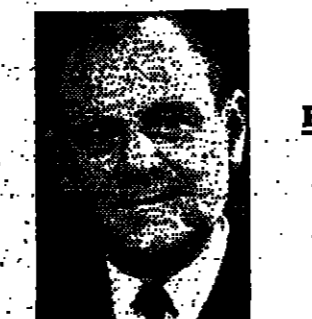
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Mr Raymond Barre, who wants a law to allow public financing of political parties in France, Page 2

BARRE PUTS HIS RIVALS ON THE SPOT

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## EUROPEAN NEWS

### Barre puts his presidential poll rivals on the spot

BY IAN DAVIDSON IN PARIS

MR RAYMOND BARRE, currently the leading right-wing candidate for next spring's French presidential election, has stepped up his campaign pressure on Mr Jacques Chirac, his Gaullist rival, by calling for legislation to allow public finance for political parties.

The question of party finances has become an important political issue, as a result of the series of political scandals which have been pushed into the newspaper headlines in recent weeks. One of the central allegations in the *L'Espresso* scandal, the scandal which

reached a new peak last week, was that arms sold to Iran when the Socialists were in power had helped finance the Socialist party.

The timing of the emergence of new details on the Luchaire scandal seems plausible to have been engineered to throw the maximum discredit on the Socialist party and, indirectly, on President Francois Mitterrand. Mr Mitterrand is still ahead of all other political figures in the presidential race. If he decides to stand, many observers have assumed that the re-launching of this scandal just now was designed by the Gaullists in the

hope of deterring him from standing.

The most immediate impact, however, has been to draw attention to the lack of any effective rules governing party finances in France, and to the widespread assumption that there is something more than a little tacky about the finances of the political parties.

As a man without an established party machine, Mr Barre is well placed to use this issue to claim that his moral credentials are superior to those of his rivals on the right and the left. Over the weekend he promised that, if elected next May, he

would hold a referendum on public finance for political parties, with a ceiling on the level of electoral expenditures.

All of a sudden, Mr Barre's initiative has triggered a series of improvised and often conflicting statements on party finances, with the Gaullists showing the greatest embarrassment. Mr Pierre Mehlis, president of the Centrists and Minister for Equipment and Housing, argued for a committee of inquiry to produce a report by the time of the election. But the senators in his party yesterday tabled a rather cautious draft law, which would not provide

for state contributions to political parties but would make political contributions tax-deductible.

The Gaullist party, widely assumed to have the richest source of funds from the business sector, has reacted without initial enthusiasm to any of these ideas. Mr Edouard Balladur, the Finance Minister, argued over the weekend against public funding, and he was echoed by Mr Charles Pasqua (Interior) and Mr Alain Juppé (Budget), both of whom questioned innocently if it would be wise in a period of austerity, for the taxpayers to foot the bill.

It seems unlikely, however, that the Gaullists can really afford to adopt too tough a line on this issue. The latest *Sofres* opinion poll, published in the *Observateur* weekly, shows that French politicians enjoy a very low reputation with the general public, especially for their financial dealings.

Of those questioned, 48 per cent thought the world of money had more power than the President, 36 per cent thought that politics was not a very honourable activity, and 56 per cent thought that politicians were mainly concerned by their personal interests.

### Prague softens its view of Dubcek

By Leslie Collis in Berlin

CZECHOSLOVAKIA'S leader, Mr Gustav Husak, has hinted that a reassessment has taken place in the official view of Mr Alexander Dubcek, the reformist party leader in 1968 who was ousted after the Soviet-led occupation of the country.

A senior Soviet historian, Mr Georgy Smirnov, caused a stir last week when he spoke of a need to "think over the events of 1968, the intervention."

In another development, a Soviet official acknowledged that Mr Dubcek sent a telegram congratulating the Soviet leader, Mr Mikhail Gorbachev, on the 70th anniversary of the Bolshevik revolution.

The former Czechoslovak party secretary lives as a retired Forestry Ministry official in Bratislava.

In a speech in Prague marking the Soviet anniversary, Mr Husak, who succeeded Mr Dubcek, digressed to speak of the "crisis" which had developed in Czechoslovak society in the 1960s.

His speech, delivered last Friday, has only just become fully available in the West.

### Confront crisis

He noted that the party tried to "actively confront" the crisis at a central committee session in January 1968. Although he did not say so, this was the meeting which elected Mr Dubcek to become First Secretary of the Czechoslovak party, replacing the disgraced Mr Antonin Novotny.

Mr Husak explained that the results of the central committee session "presented the possibility" of solving a long overdue need to "perfect the administration of society and the economy." Diplomats in Prague said this amounted to the first political reassessment of Mr Dubcek's rise to power since the present leadership replaced him in April 1969.

However, Mr Husak noted that thanks to the "weakness" of the party leadership and the activity of "right-wing and anti-socialist forces" the crisis deepened.

Significantly, he failed to mention the Warsaw Pact intervention in August 1968 which, until last year, was repeatedly cited by the Prague leadership as a positive step taken by Moscow to avoid "counter-revolution." Mr Husak also omitted reference to any "lessons from the crisis" which until now was obligatory in official remarks about the events of 1968.

### Bishops warn of dangers to Poland

By Christopher Bobinski in Warsaw

THE POLISH bishops, meeting at the weekend, have warned that the country is in an "exceptionally dangerous and difficult" situation. They are demanding radical economic reforms as well as political changes.

The message is not specific, but the church has greater political freedom in mind, as well as economic reforms much along the lines proposed by the authorities.

However, the bishops stopped short of expressing an opinion on whether or how to vote in a national referendum on November 29 in which the Government is seeking support for reforms which will reduce many people's real living standards.

The bishops merely say that the present situation should be resolved "by a common effort undertaken by the whole population."

They also forbore to comment on the prospects for the establishment in Poland of a Christian democratic political party which would be autonomous but subordinated to the Communist Party.

This is being mooted by some Catholic moderates who will not doubt discuss the idea with Mr Flaminio Piccoli, head of the Christian Democrat International organisation who is scheduled to arrive in Warsaw on Thursday and is expected to see General Wojciech Jaruzelski, the Polish party leader.

### Sara Webb looks at employment policies that are becoming almost too successful

## Commitment to jobs keeps Sweden at work

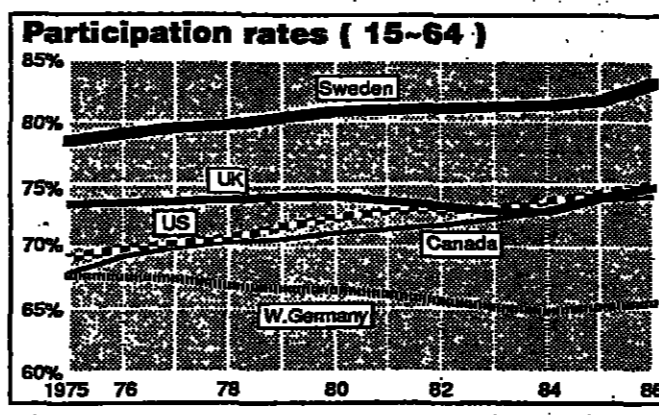
THE BIGGEST problem currently facing Mr Stig Nystrom, part-owner in a Swedish family-run fittings business, Nystroms Beslag, is shortage of labour, both skilled and unskilled. His two factories in southern Sweden have plenty of vacancies to fill and to deal with the work in hand he has had to take on 16-year-olds fresh from school and increase the amount of work done on overtime.

While in other parts of Europe, employers often find that job vacancies are heavily oversubscribed, in Sweden the grumbles are commonly heard from employers about the shortage of people for medium and highly-qualified jobs, such as skilled blue-collar workers, technicians and engineers.

Sweden's unemployment rate fell to 1.7 per cent in September - 76,000 out of a total workforce of 4.45m - one of the lowest in the OECD area. Even in the worst-hit part of the country, the northernmost district known as Norrbotten - unemployment is only 5 per cent.

All of the political parties believe in giving high priority to the employment of young people and under strong pressure from the powerful trade union movement to do so. Labour market policy is closely integrated with the national economic policy and great emphasis is placed on training and services for the unemployed, using the employment offices, which monitor and unemployable benefits.

Even if those involved in training programmes, relief work and work schemes for the handicapped are excluded from



the employment figures, the unemployment rate is still only about 4 per cent.

Sweden's employment-population ratio is high at 80 per cent, compared with 77.9 per cent for the US and 65.1 per cent for the UK. This is chiefly because of the high participation rate for women. Last year, 81 per cent of all women aged 16

more jobs for women in the hospital and childcare sectors. At the same time, conditions have improved for women who have or need to work. Childcare facilities are cheap and widely available and training programmes and labour market policies have helped women to find jobs. The percentage of women in labour market training

While in other parts of Europe, employers find job vacancies are heavily oversubscribed, in Sweden the grumbles are commonly about the shortage of blue-collar workers, technicians and engineers

to 64 were in the labour force, close to the 85 per cent participation rate for men.

There are several reasons why women have made such an impression on the workforce. The growth of the public sector in the 1970s - which accounted for about 75 per cent of the increase in employment - meant

"youth teams" introduced in 1984 have had the biggest effect on youth unemployment - up to then unemployment had been highest in the 16 to 19-year-old age group.

The youth team system means that the employment office has three weeks to find a job for an 18 or 19-year-old. If they are still unemployed after three weeks, the municipality must find them work, usually in the childcare sector or hospital sectors, usually for four hours a day. The "wage" is equivalent to what they would receive in unemployment benefit, which is fully subsidised by the state. If they refuse to take the job, they have no entitlement to benefits.

The teams have proved highly successful in reducing the number of registered unemployed teenagers. "The only problem is that some youngsters find the youth teams too pleasant and they don't want to move on to a proper job," according to Mr Ake Dahlberg, assistant under-secretary at the labour ministry.

He believes that an active labour market policy combined with the way the unemployment benefit system operates, has played an important part in discouraging long-term unemployment, which has fallen from about 25 per cent of all unemployed in the early 1980s to 24 per cent last year.

A person who belongs to an unemployment benefit fund is entitled to benefits for 300 days, if they are below 55 years old. If after 300 days they still do not have a job, they have a legal right to a temporary job from the employment office for six months, which then enables

them to qualify for a new round of unemployment benefits.

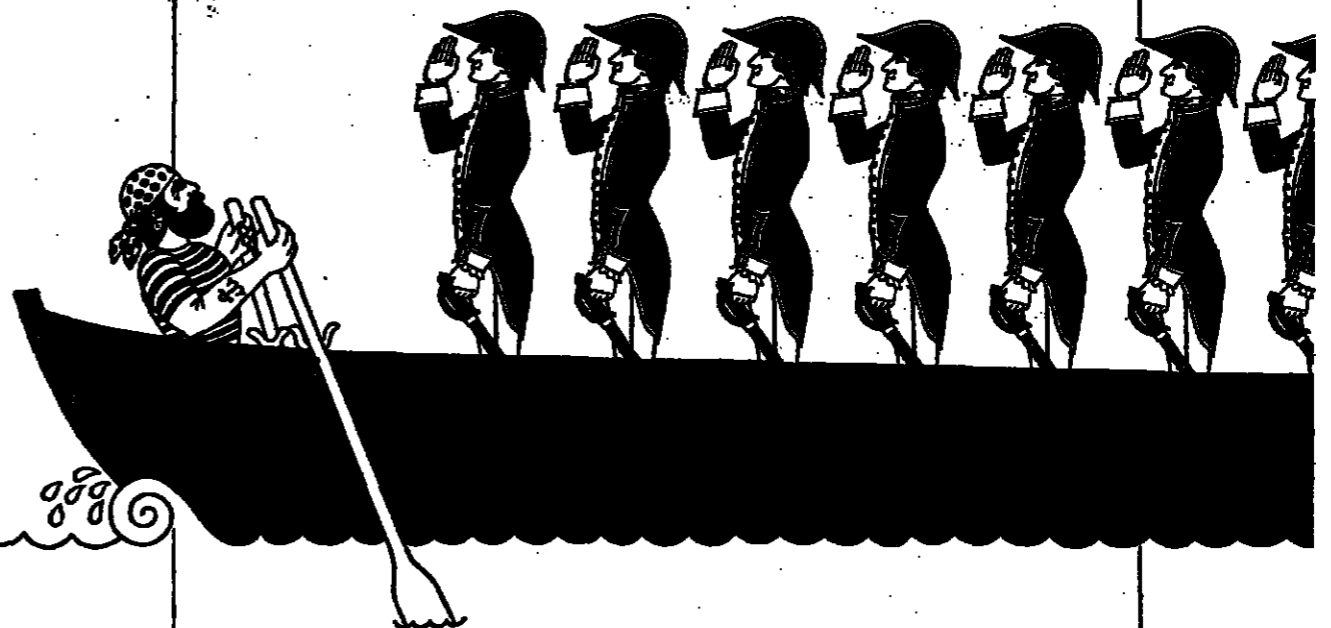
If an unemployed person refuses to take work offered by the employment office, this is reported to the unions or insurance fund - and it is then up to the fund to decide whether to continue paying benefit. "The employment office can offer several job and training opportunities and put pressure on the person to take a job - it is not easy for people to misuse benefits," Mr Dahlberg says.

Government expenditure on labour market programmes amounts to some 2 per cent of GNP, with the most emphasis today being placed on the employment service and training.

Some 5,400 people are involved in counselling or direct placement activities in the employment offices - roughly one for every 14 unemployed, or one for every 625 in the labour force. By contrast, in Britain last year, there were about 8,000 Manpower Services Commission staff involved in the employment service - roughly one for every 2,600 in the labour force.

The employment offices build up company contacts so that they have someone who is familiar with every big company in the country and knows about the company's requirements and training schemes. This allows them to offer training subsidies if the company is willing to employ a long-term unemployed person, handicapped person or other people with special difficulties.

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## EUROPEAN NEWS

3

# Saouma wins surprise third term at FAO

BY JOHN WYLES IN ROME

MR. EDOUARD SAOUMA, the 61-year-old Lebanese, yesterday triumphed over Mr. Moise Mensah from Benin to secure a controversial third six-year term as director-general of the UN's Food and Agriculture Organisation.

His winning margin of 94 votes to 59 in a secret ballot at the FAO's biennial conference confounded the confident predictions of Mr. Mensah's supporters, who included leading donor countries such as the US and Britain, that their man was set to displace the incumbent.

One plausible theory explaining the size of Mr. Saouma's victory is that the 42-nation African bloc deserted their candidate in significant numbers, despite the strong backing promised him by the Organisation of African Unity.

In the end the stigma of appearing to be the donor countries' candidate in an organisation with its share of "north-south" divisions may

have been too great a handicap for the challenger, currently an assistant vice-president at the International Fund for Agricultural Development.

For his part, Mr. Saouma is respected by many Third World governments as a strong leader who tends to put their interests first. Allegations that in so doing he is actually weakening the organisation's effectiveness clearly carried little weight.

Nevertheless, his victory could lead to severe internal strains within the FAO unless he moves to head off donor countries' criticisms of his allegedly autocratic style and failure to develop priorities.

Mr. Saouma's acceptance speech was a coded response to his critics. He laid great stress on the unprecedented number of problems facing the UN system and put particular emphasis on the US failures to make its full contributions to the



Saouma: big margin

FAO's budget. On paper these amount to 25 per cent of the 1986-87 budget of \$457m but delays imposed by the Congress have allowed the payment of only \$33m of the \$100m allocation.

As a result, the FAO's treasury was in a "terribly precarious" situation, claimed Mr. Saouma. He acknowledged the calls for a review of the organisation's structure and methods but pointed out that they were not being made by all 155 member nations, implying that the margin of his victory marked the general level of satisfaction with the FAO's performance.

# Gorbachev to visit Belgrade next month

By Aleksander Lebl in Belgrade

THE long-awaited visit of Mr. Mikhail Gorbachev to Yugoslavia will take place in December after his summit trip to Washington, Mr. Besko Krunic, president of the Yugoslav Communist Party, said yesterday after his return from Moscow.

Mr. Gorbachev agreed in principle on a visit some time ago but a date had never been fixed. The last visit to Yugoslavia by a Soviet leader was in 1959.

The meeting is expected to confirm the Belgrade and Moscow declarations of 1955 and 1956, which assert the right of all parties and states to their own independent internal and foreign policies.

Yugoslavs, who have been experimenting with economic decentralisation and political openness for many years, feel vindicated by the move towards reform in the Soviet Union and by recent statements by Mr. Gorbachev that there is no leading party in the Communist movement, nor uniform policies for all.

There is a feeling that success for Mr. Gorbachev would strengthen the position of Yugoslav reformers, and that his failure would give a new impetus to Yugoslavia's conservatives. Even if Soviet reform continues, however, the severe problems facing Yugoslavia "self-management" may serve as a useful example of the pitfalls it needs to avoid.

Discussions will also concern bilateral trade, in which Yugoslavia's deficit exceeds \$1.5bn. The volume of trade has not come down but the value of Soviet exports, mainly oil and gas, has done so.

As the two countries have a bilateral clearing arrangement, trade has to be balanced within two years. Since the Soviet side cannot find other goods to import, Yugoslavians experts will have to be curtailed and overall trade projected at \$35m over 1986-88, is going to suffer.

In the first week of November the Yugoslav thorn was depicted by 12.45 per cent against a basket of seven currencies of its main Western trading partners. Since the beginning of the year depreciation amounted to 149.3 per cent.

# POLITICIANS CONCERNED AT REBUKE BY VOTERS

# Low turnout in Italian referendum

BY JOHN WYLES IN ROME

ITALIANS boycotted last week-end's referendum on nuclear power and legal reform in greater numbers than ever before, while delivering the comfortable majorities requested by most political parties.

Early results suggested that little more than 65 per cent of those eligible actually bothered to vote. At this level, turnout was far lower than in the four previous popular polls held since the referendum was introduced in Italy in 1970.

Before the poll, it was clear that many Italians were confused about the issues at stake and unable to understand why the politicians could not sort them out through normal parliamentary procedures.

Leading politicians were clearly uneasy about the turnout last night, some hinting that it was a predictable rebuke from the electorate. The Socialists and the Radicals - two of the parties most anxious to have the

referendum - blamed the mass media for depicting the exercise as fraudulent and the fact that Italians are unused to voting in the autumn.

Although parties representing more than 90 per cent of the votes registered in the last general election campaigned in favour of "yes" votes to four of the five referendum questions, the actual majorities look likely to be smaller.

All of the questions were about whether or not existing legislation should be struck down by the referendum. The question which has generated most heat - the law imposing very tight limits on the disciplining of magistrates for professional misconduct - was receiving around 80 per cent in favour of its removal by early evening.

The three laws touching on nuclear power which radicals and socialists have treated as a plebiscite on whether or not Italy should retain and add to its

existing three nuclear stations were all also heading for burial. One which will allow the Government to overrule local authority opposition on the siting of a nuclear station was showing a majority for its removal of around 81 per cent.

A second allowing the payment of incentives to persuade communities to accept a nuclear station was heading for a majority in favour of removal of 80 per cent. The third, which allows Italy to take part in the Superphoenix fast breeder reactor project in France looks likely to be struck down by a majority of around 71 per cent.

Well over 80 per cent of votes cast backed the call to do away with a special parliamentary committee which is supposed to inquire into allegations of wrongdoing by politicians. All say they want to replace this with a more credible institution.

The volume of spoiled ballots was being watched with great

anxiety by the top management of RAI, the Italian radio and television service, after an extraordinarily embarrassing performance by one of their star performers on Saturday night. Adriano Celentano, a balding pop star who hosts RAI's most popular variety programme, "Fantastico," interrupted the live transmission to deliver a diatribe against hunting which ended with an appeal to voters to write "hunting is anti-love, we don't want it" on their ballot papers.

Mr. Celentano was rapidly informed behind the scenes that he might have broken half of the nation's electoral laws, since he was inciting people to spoil their ballot papers. He went back in front of the cameras to deliver a mea culpa, urging people instead to write anti-hunting missives to President Cossiga containing the phrase: "We are children of the seal, don't make our mothers cry."

# Kohl urges CDU to close ranks

BY DAVID MARSH IN BONN

CHANCELLOR Helmut Kohl of West Germany Chancellor yesterday called on his governing Christian Democratic Union (CDU) to close ranks after a run of political setbacks culminating in this autumn's "dirty tricks" scandal in Schleswig-Holstein.

In a mainly defensive speech to the party's annual federal congress, he said the scandal had thrown a shadow over the country's political scene. Politicians would have to show "sobriety and sensitivity" to win back voters' confidence.

Confirming doubts about his leadership style among delegates to the party's annual federal conference in Bonn yesterday, he was re-elected to the CDU chairmanship yesterday afternoon with a reduced majority. He won 579 votes from delegates with 82 against and 55 abstentions and one invalid vote. In the last party election in March 1985, Mr. Kohl won a 627-45 vote with 15 abstentions.

Mr. Kohl, facing one of his most difficult party conferences in 14 years as CDU chairman, urged his party to come to terms

with the lessons of the murky affair in Schleswig-Holstein, the country's northernmost state. This led to the suicide last month of Mr. Uwe Barschel, the state's former Prime Minister, who was accused of organising an electoral smear campaign to discredit the leader of the Schleswig-Holstein Social Democratic Party.

The Chancellor, whose party has suffered a falling share of the vote in a string of elections this year, was given only a reluctant standing ovation at the end of his speech.

He made a further call for an end to the internal squabbling about law and order, defence, human rights and the economy which damaged the three-party Bonn coalition during the summer and autumn. In an apparent rebuke to Mr. Lothar Speth, the Prime Minister of Baden-Wuerttemberg, who gave a critical interview about the Government's tax cutting plans to Der Spiegel magazine during the summer, Mr. Kohl said some publications were an "unsuitable" medium for such remarks.

He said power brought dan-

gers and called on the party to reflect both on possible mistakes and on a fairer way of treating its political adversaries. "We are all responsible that our democracy is not damaged," he said.

Mr. Heiner Geissler, the Christian Democrats' general secretary, referred to the scandal in more robust terms, saying the party was facing "a crisis of consciousness and of confidence."

Mr. Kohl mentioned only fleetingly and in highly general terms the turmoil on world financial markets and the risks for West Germany's export-oriented economy. The turbulence underlined, he said, "that we must stick to our clear, future-oriented and reliable economic policy."

He maintained an attack on the East German leadership by calling it a Communist dictatorship. He pointed, once the less, pointed to the Bonn Government's achievements in improving travel possibilities for East Germans to visit the West as an important success in "strengthening German togetherness."

# Soviet criminal code may drop internal exile

A GOVERNMENT committee

rewriting the Soviet criminal code wants to abolish internal exile as punishment and to reduce the number of offences punishable by firing squad, Mr. Boris Kravtsov, Justice Minister, announced yesterday. AP reports from Moscow.

He also said the committee had proposed a shorter maximum prison term, and that long-term system, with a deadline for the rights of defence lawyers, presumably to provide them with better access to information obtained during criminal investigations.

The Tass news agency gave few details. When the new criminal code is prepared, it will probably be debated and revised by senior Communist Party members before being presented to the Supreme Soviet for approval.

The Foreign Ministry said in February that the Russian Republic's criminal code, which serves as the basis for legal codes throughout the USSR, was being reviewed and revised.

It added that the committee was considering removal of "anti-Soviet agitation and propaganda" from the list of punishable offences.

# EC farm trade threatened by failure of radiation level talks

BY QUENTIN PEEL IN BRUSSELS

THE COLLAPSE of negotiations to agree common safety standards for radiation in EC food imports in the event of a nuclear accident could disrupt farm trade severely between member states, officials in Brussels fear.

Diplomats warned yesterday that it may prove impossible to negotiate any common long-term system, with a deadline for the rights of defence lawyers, presumably to provide them with better access to information obtained during criminal investigations.

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It added that the committee was considering removal of "anti-Soviet agitation and propaganda" from the list of punishable offences.

The whole debate on what constitutes "safe" levels of radiation has become caught up not only in arguments about scientific evidence, but also in the extreme fear that if for once public opinion must be taken into account, and the continual battle for power between the institutions of the EC.

Britain, France and Spain have hitherto blocked any continuation of the present post-Chernobyl regime until agreement is reached on a long-term policy, based on the proposals of national experts.

All three argue that the long-term standards - which would be imposed automatically in the event of any future Chernobyl-type accident - must reflect the conclusions of the Euratom Article 31 committee. Whereas the levels fixed in the wake of Chernobyl were of only 370 becquerels per kilo (Bq/kg) for caesium in dairy products and 600 Bq/kg in other foods, the Euratom scientists recommended 4,000 and 5,000 Bq/kg respectively.

West Germany, backed most strongly by the Netherlands, Luxembourg, Portugal and Ireland, wants the present strict

levels maintained. Politicians both in the European Parliament, and in the national parliaments in West Germany and other member states, have argued that even the present regime is too lax. Britain and France fear that if for once the scientific advice is blatantly ignored, future rules on the nuclear industry will be set on the basis of political pressure.

The European Commission had sought to present a compromise formula - with permissible radiation levels set at 1,000 and 1,250 Bq/kg respectively - while admitting that they were partly to reassure public opinion. Early on Sunday evening that compromise looked possible, with Britain, France and Spain set to move. But West Germany refused to relax its stance at all.

No one is yet sure just how much food trade could be disrupted if there is no agreement by November 24, but many officials fear the worst. Greece in particular faces a huge problem, because it now has 600,000 tonnes of soft wheat in store, containing more than the permissible level of radiation.



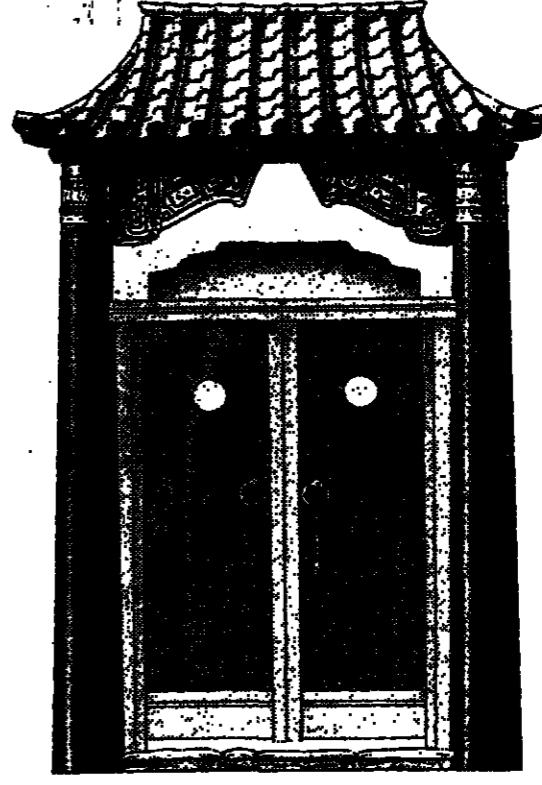
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visitors. A Chilean military analyst predicted that such overtures were unlikely to produce the intended effect of increasing US influence.

He suggested that a more effective course for the US to pursue would be to improve relations with the country's civilian leadership, while turning a cold shoulder to the army. Such a stance might more clearly demonstrate what the Chilean army stands to gain or lose from its relations with the US, he said.

At present the Chilean army seems unlikely to liberalise on its own accord.

## Industrial production in Brazil falls sharply

mounting inflation and unemployment is worrying economists. According to one analysis, the year-end figures are likely to be the worst since 1983 with industrial growth over

the 12 months unlikely to exceed 0.5 per cent.

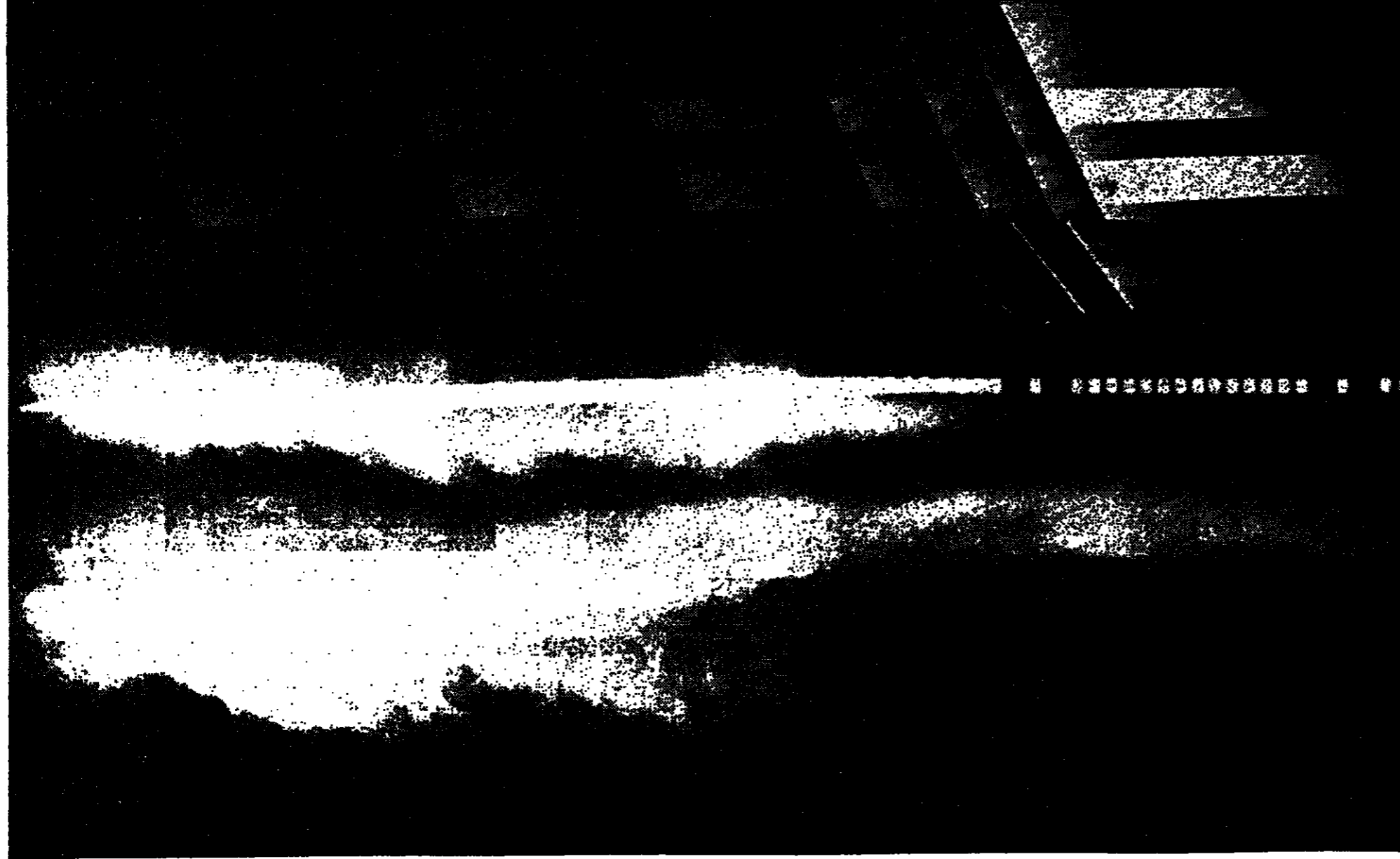
Mr Luiz Carlos Bresser Pereira, the Finance Minister, has revised down Brazil's target for overall growth from an original 6 per cent to 3.5 per

Seasonal factors, including a fall off in coffee sales, are also

expected to hit October's trade figures.

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## Salinas again calls for clean elections

**By David Gardner in Mexico City**

**MR Carlos Salinas de Gorta**, the Mexican regime's choice to succeed President Miguel de Madrid next year, again on Sunday called for clean elections. He made the call amid municipal elections, marred by renewed opposition claims that the Government was continuing to use ballot rigging and intimidation.

Mr Salinas was speaking at the congress of the ruling Institutional Revolutionary Party (PRI) which formally proclaimed him the 70-year-old regime's presidential candidate. In his keynote acceptance speech, the former planning minister said Mexico required new, modern political culture which took account of the sophistication of Mexican society. He intimated that the very sure

Mr. Salinas repeated his promise of clean elections, first delivered to a PRI rally two weeks ago, which has become the cornerstone of his campaign. "We will respect all the triumphs of the opposition. If we will defend, one by one, each of our victories," he told the congress in Mexico City.

ing State of Mexico, both the left and right-wing opposition parties claim that the PRI was bootlegging elections for the local legislature and 121 municipalities. In one incident, pro-regime trade unionists were alleged to have opened fire on opposition vote-monitors trying to remove ballot boxes.

Similar incidents took place in elections in the northern border state of Coahuila, an opposition stronghold, two weeks and two days after Mr Salinas publicly admitted that the northern states did not believe in P

He called for an end to the ruling party's practice of "cleansing sweeps" at the polls. The local PRI leadership in Coahuila then announced outright victory in every contest in the state.

significant office at the post and many political analysts here are beginning to suspect that the party old guard is trying to underline, through the conduct of the Coahuila and State of Mexico contests, that it is

## Israeli president visits Washington

**PRESIDENT Chaim Herzog** Israel opened talks yesterday with Mr George Shultz, US Secretary of State, AP reports from Washington.

However, he is expected to touch on the condition of Jews in the Soviet Union, Syria and Ethiopia, as well as on prospects in the Middle East.

**BY NANCY DUNNE IN WASHINGTON**

Judge Ginsburg withdrew nomination at the weekend after admitting that he smoked marijuana. Judge R

Conservative Senator J. Helms, who has blocked other nominations, said he would fight against Judge Kennedy being confirmed, and Senator

rin Hatch indicated his lack of enthusiasm for the judge in a television interview.

## OVERSEAS NEWS

### dhi attacks Lanka over lation plan

IN NEW DELHI

II, the Indian Government, accused Sri Lanka of attacking Tamil Nadu. The Indian Government said that it was the Sri Lankan Government's policy to make such changes as are found necessary. This could cause problems among Tamil communities both in Sri Lanka and in the southern Indian state of Tamil Nadu. It might also sharpen attacks on Mr. Gandhi's policies planned by India's opposition parties for the winter session of Parliament which began last Friday.

● The lower house of India's Parliament yesterday approved a six-month extension of the system of President's Rule in the troubled northern state of Punjab where about 1,100 people have been killed this year.

President's Rule, which puts the state under the direct control of New Delhi, was imposed on May 11.

### on ground on Gulf ides Arab summit

IN AMMAN

Western observers in Amman are gloomy about prospects of a solid resolution on the Iran-Iraq war that would help underpin UN efforts to bring about a ceasefire in the long-running conflict.

The West, notably the US and Britain, have been pressing for an arms embargo against whichever party to the conflict fails to implement a Security Council call for an immediate ceasefire and withdrawal to pre-war boundaries.

Iran and Iraq have been locked in complicated diplomatic negotiations with Mr. Javier Peres de Cuellar, UN Secretary-General, but indications are that the two sides remain far apart.

Iran is demanding that Iraq be named the 'aggressor' before it is prepared to agree to a ceasefire. Baghdad, which is willing to accept an inquiry into the origins of the war, says this condition is unacceptable.

Meanwhile, Iraq is maintaining its criticism of the Arab summit, issuing its second hard-line message in two days.

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### Bank in bid to Zambia economy

IN LUSAKA

The World Bank is visiting Zambia to discuss the country's economic situation. The bank is also looking at how to help Zambia with its economic problems. The bank is also looking at how to help Zambia with its economic problems. The bank is also looking at how to help Zambia with its economic problems.

40 per cent from the present rate of \$3 to the US dollar.

In May Dr. Kaunda broke with the IMF, revvalued and fixed the rate of the kwacha, reintroduced price controls and severely restricted payment of foreign creditors.

Since then flows of foreign aid money have been sharply reduced, leading to widespread shortages (the World Bank has suspended disbursement of new money because of Zambian arrears now totalling some \$42m). The IMF has declared Zambian ineligible for further funds because of arrears of SDR291.5m and exporters, including the vital copper mines, have been adversely affected by the currency revaluation.

### New broom sweeps into power in Tunisia

By Francis Giles in Tunis

MR ZINE EL ABIDINE BEN ALI's decision to remove the 87-year-old Tunisian head of state from office was taken last Friday after Mr. Habib Bourguiba told his then Prime Minister of his decision to reopen the trial of 90 Islamic activists which ended last month.

Two of the defendants were hanged while the leader of the Movement of the Islamic Tendency, Mr. Rashid Al Ghanouchi, was sentenced to hard labour for life.

Mr. Bourguiba was infuriated by the refusal of two of the judges to condemn Mr. Ghanouchi to death. The former head of state said he hoped 50 of the 90 defendants would be condemned to death.

Two former ministers, Mr. Mohamed Sayah, a traditional hardliner, and Mr. Manouf Sghiri, supported the President. The rest of the Cabinet and Mr. Ben Ali were only too aware that such action could easily lead to serious unrest in Tunisia. The first two days of Mr. Ben Ali's presidency have been marked by the release from house arrest of Mr. Habib Achour, the veteran union leader and the return from exile in France of Mr. Dries Gheige, who was Minister of the Interior until the bread riots of January 1984.

Other prominent exiles such as Mr. Mohamed Masmoudi, Minister of Foreign Affairs at the time of Tunisia's abortive union with Libya in January 1974, are also expected to return.

Members of the family of Mr. Mohamed M'Zali, the former Prime Minister who fled into exile in September 1986, have had their passports restored.

The leading opposition parties, such as the Movement of Social Democrats, have welcomed Mr. Ben Ali's accession.

The former head of state for his part is expected to leave the presidential palace in Carthage shortly for a residence near the southern port of Sfax, where the new prime minister, Mr. Hedi Baccouche, has made clear he will be treated with all the respect due to the founding father of modern Tunisia.

For the political class, what had become in recent weeks a nightmare, and one which many feared would erupt into civil strife, is at an end.

Those former ministers, such as Mr. Mohamed Sayah and Manouf Sghiri and other members of the presidential entourage, such as Mr. Mahmoud Belhassine who calculated that backing the ageing leader in all circumstances would one day win them power, have lost what proved to be a reckless gamble.

The new Tunisian government is full of talent. The Prime Minister, Mr. Hammad Soussi, is a witty yet thoughtful politician who has been responsible for conducting delicate negotiations with Libya.

He is also highly respected in Algeria, which matters, as Tunisia has, since 1963, a close relationship with its powerful western neighbour.

The new Minister of Foreign Affairs, Mr. Mahmoud Mestiri, is a skilled diplomat who has been Secretary of State on and off over the years.

The new Minister of Education is Mr. Tjani Chellil. He will need all the support he can muster to reform an education system whose quality has been severely eroded in recent years.

Mr. Ismail Khellil, recently appointed Governor of the Central Bank, remains.

Good results this year belie the outlook, Andrew Buckoke reports

### Clouds gather for Kenyan economy

THE KENYAN economy appears to be defying gravity. Despite the drop in tea and coffee prices this year and the rise in oil prices, growth of over 5 per cent is expected to be maintained. Both the Government and World Bank agree that the balance of payments deficit will be limited to around \$20m, compared with last year's surplus of \$30m.

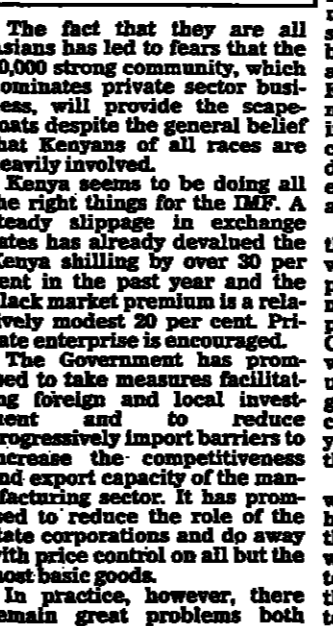
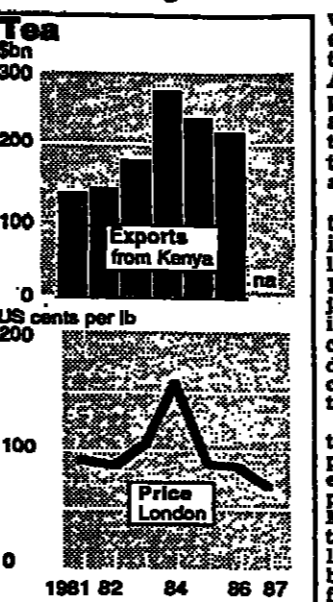
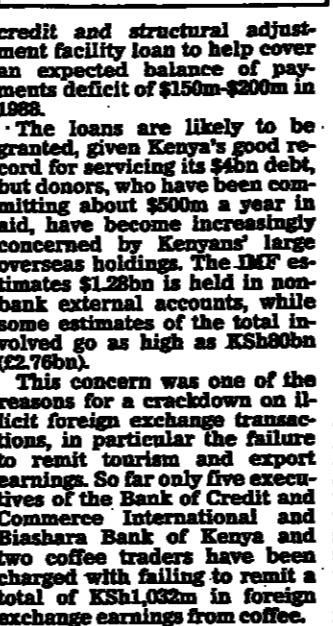
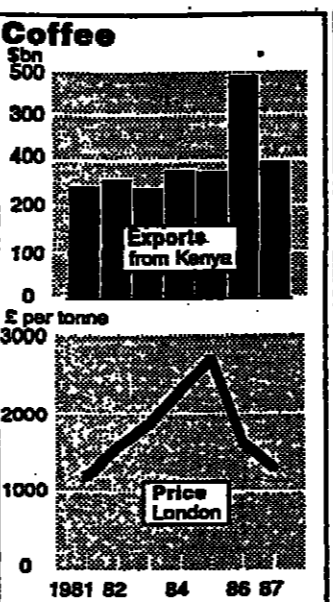
Though such a record is the envy of most African nations - especially in Uganda and Tanzania, where war and mismanagement respectively have devastated their economies - the future is far from rosy.

This year's good performance is largely a carry-over from the boom in 1986, when high coffee and tea prices combined with record tourism earnings and low oil prices to boost growth to 5.7 per cent from an average of 3.4 per cent in 1978-85. Earnings from coffee, long the country's primary source of foreign exchange, are expected to drop from \$400m in 1986 to under \$300m this year.

Tourism may move into first place for the first time with an expected improvement over last year, when 650,000 visitors brought in a record \$310m. Despite a serious decline in occupancy rates at coast hotels due to concern about AIDS in Kenya, greater interest in activity holidays means the more lucrative safari business inland is booming.

But if tourism and non-traditional exports such as horticultural produce can cushion the country from fluctuations in coffee and tea prices, they cannot protect it from long term declines.

This year's balance of payments position would have looked a lot worse but for the planned reduction of foreign exchange reserves by \$100m, from three-and-a-half to two-and-a-half months' import cover. Such measures cannot be repeated and Kenya is negotiating with the International Monetary Fund for \$170m from a standby



credit and structural adjustment facility loan to help cover an expected balance of payments deficit of \$150m-\$200m in 1988.

The loans are likely to be granted, given Kenya's good record for servicing its \$40m debt, but donors, who have been committing about \$500m a year in aid, have become increasingly concerned by Kenya's large overseas holdings. The IMF estimates \$1.28bn is held in non-bank external accounts, while some estimates of the total involved go as high as KSh80bn (\$2.76bn).

This concern was one of the reasons for a crackdown on illicit foreign exchange transactions, in particular the failure to remit tourism and export earnings. So far only five executives of the Bank of Credit and Commerce International and Biashara Bank of Kenya and two coffee traders have been charged with failing to remit a total of KSh1,022m in foreign exchange earnings from coffee.

The fact that they are all Asians has led to fears that the 60,000 strong community, which dominates private sector business, will provide the scapegoats despite the general belief that Kenyans of all races are heavily involved.

Kenya seems to be doing all the right things for the IMF. A steady slippage in exchange rates has already devalued the Kenya shilling by over 30 per cent in the past year and the black market premium is a relatively modest 20 per cent. Private enterprise is encouraged.

The Government has promised to take measures facilitating foreign and local investment and to reduce progressively import barriers to increase the competitiveness and export capacity of the manufacturing sector. It has promised to reduce the role of the state corporations and do away with price control on all but the most basic goods.

In practice, however, there remain great problems both

with the basic structure of the economy and the implementation of the proposed remedies. At their root is the country's 4 per cent population growth rate and the shortage of unused fertile land - only 17 per cent of the total land area is described as arable.

Manufacturing industry offers the only hope of giving jobs and incomes to the 300,000 school-leavers a year, but even in the 1986 boom only 20,000 formal jobs were created. Though the industrial sector grew by 6 per cent last year, its share of gross domestic product has only increased from 8 per cent in 1984 to 13 per cent in 1986.

Yet there is strong opposition to the Government's declared policy of reducing import barriers because of the threat to profits of more competition. Many local companies are controlled by people with high political connections. Even with balance of payments support from the IMF and bilateral donors it may prove impossible significantly to reduce import barriers anyway unless there is a dramatic improvement in Kenya's terms of trade. Despite new procedures streamlining import licence applications, companies report increasing difficulties getting approval even for essential machinery and spare parts.

The reduction of the role of the parastatals is another area where the Government has promised but not yet delivered much action. The details of proposed reforms of the National Cereals and Produce Board, whose vast overheads contributed heavily to the jump in the government deficit from 4 per cent to 7 per cent of GDP last year, are promised by the end of the year.

But the question remains whether the country's leaders have the political will to push through the necessary reforms while Kenya has the resources to undertake them, or whether they will be swayed by the short-term gains.

### Kim names martial law general as adviser

By Maggie Ford in Seoul

MR KIM YOUNG SAM, the South Korean opposition leader, yesterday surprised voters at his party's nominating convention with the announcement of a new supporter - the military commander who was overthrown by President Chun Doo Hwan in the 1979 coup.

General Chung Sung Hwa, who is to become a permanent adviser to Mr Kim's Reunification Democratic Party, was martial law commander and army chief of staff in Seoul after the assassination of Mr Chun's predecessor in 1979. He was briefly jailed in the early days of the Chun regime.

His decision to support Mr Kim adds strength to the widely held view that the South Korean military now wishes to refrain from intervention in politics. Gen Chung appears to be regarded as a man devoted to the professional role of the army.

Mr Kim yesterday said that he was the only presidential candidate who could guarantee to remove the military from politics. In his acceptance speech he promised to heal the scars of regional discrimination, and make efforts towards reunification with the communist North, including joint participation in the Olympic Games next year.

Stressing his plan to run a government free of corruption, he pledged to continue South Korea's economic growth but to spread the benefits more fairly. He reiterated his view that the candidate of the ruling party, Mr Roh Tae Woo, must take responsibility for his role in the 1979 military coup which brought Mr Chun to power.

Mr Roh is to be questioned on this matter in an interview with senior South Korean journalists later this week.

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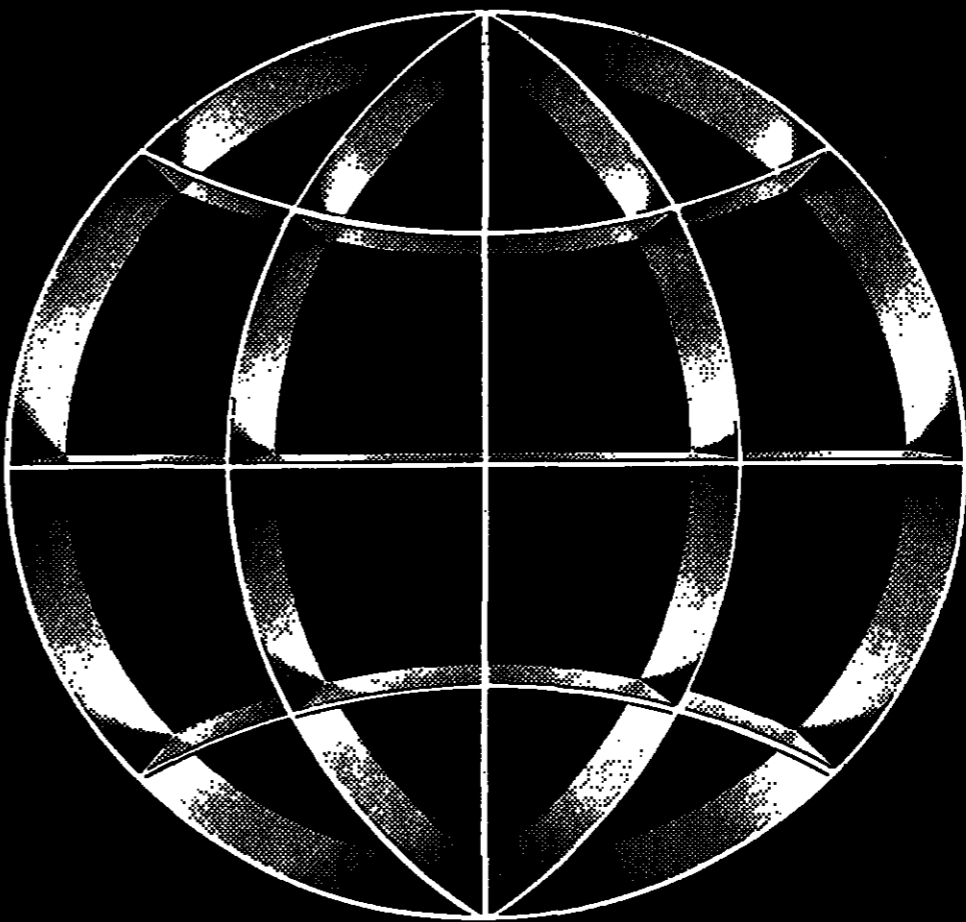
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## WORLD TRADE NEWS

## GATT panel upholds EC complaint over Japan's spirits taxes

BY WILLIAM DUFFLOR IN GENEVA

A GATT dispute panel has ruled in favour of a complaint by the European Community that Japan's taxation system discriminates against imported whiskies, brandies and wines.

Japan should be told to bring its taxes into conformity with the General Agreement on Tariffs and Trade, the panel recommends in its report, due to be submitted to the Gatt Council today.

Last month, when preliminary reports on the Gatt ruling were leaked in Tokyo newspapers, Japanese trade officials in Geneva warned of its explosive implications for domestic politics.

The panel's finding marks an important victory for the EC in its campaign to force Japan to liberalise its markets. Community exports of spirits to Japan amount to less than Ecu 200m (£14m) a year, but the EC Commission in Brussels has seen the whisky row as a test case.

The Japanese may block adoption of the panel report by the Gatt Council, which acts by consensus.

The powerful Japanese drinks industry is a substantial financial backer of the ruling Liberal Democratic Party. The tax regime sharply favours shochu, the strong local spirit.

However, the Japanese will have to consider that failure to

act on a Gatt ruling would allow the EC to retaliate. They may also find it embarrassing to ignore a Gatt decision after they have been expressing strong support for improvements to Gatt, including to its dispute settlement mechanism.

Tokyo could decide to implement the partial reform of taxes on spirits and wines, which the Japanese Finance Ministry proposed last December and which the EC then rebuffed. It is even less likely to satisfy Brussels after the Gatt panel report.

Apart from dismissing an EC complaint that the labelling of Japanese liquor and wines misled consumers, the panel comes down almost unreservedly in favour of the Community's arguments.

It agrees that Japanese grading subjects imported whiskies and brandies to internal taxes in excess of those applied to "like" domestic products.

Under the Japanese system, imported bottled whisky and brandy fall into the special grade which is much more heavily taxed than domestic wines, spirits and liqueurs.

Ad valorem taxes on imported wines, spirits and liqueurs, which are considerably higher than taxes on "like" domestic products, were inconsistent with Gatt's article III.

## US calls for probe into meat directive

By Our Geneva Correspondent

THE US is expected to ask the Gatt Council this week for a dispute panel to hear its complaint that the European Community's third-country meat directive is inconsistent with Gatt rules.

The directive, due to come into force on January 1, would require all meat exporters from the US and other third countries to comply with more stringent hygiene and handling requirements than those imposed on domestic producers within the EC, the US claims.

A two-tiered system is currently operated in the EC. An intra-community directive (ICD) applies to plants shipping meat to other EC members. But community members can maintain their own meat-handling rules for plants that do not export to EC members.

No more than 30 per cent of EC beef and 20 per cent of its pork is shipped across borders under the ICD. But the third-country meat directive would effectively extend the ICD requirements to the US and other third countries.

This violates Gatt's rule that imports of "like" products should be accorded the same treatment as national products, the US charges.

The new EC measure is not a response to any health problems connected with US meat exports, the US claims.

Peter Montagnon looks at an unconventional loan package for an Airbus sale to Canada  
Wardair ties the knot on novel finance deal

MR MAX WARD, the Canadian entrepreneur, remarked proudly last week that Wardair, the airline which bears his name, has come a long way from its early days flying war brides across the Atlantic.

Later this month it will take delivery of the first of 12 new Airbus A310 aircraft destined to help develop its profile as a scheduled domestic and international Canadian carrier. Last Friday it signed a novel \$504m (£283m) loan agreement to finance this purchase, which is the largest ever raised by Wardair. For European export credit agencies it also marks a departure from the traditional conventions under which they guarantee such business.

Bankers involved say the deal is a triumph over three serious obstacles facing Wardair as it looked to finance its purchase.

The first was its low capitalisation - at the time only C\$75m (£33m). The second was its need for Canadian dollar funding, which is not normally permitted under international rules for officially-guaranteed aircraft finance.

The third was its desire for the longest possible maturity.

According to Mr Adebayo Ogunsola, a vice-president of

First Boston, the US bank which advised the company, the first problem was dealt with by a decision to increase the airline's capital through a C\$125m sale of subordinated voting shares and to reduce the overall financing requirement by a downpayment of 25 per cent compared with the normal 15 per cent of the US\$672m total purchase price.

The downpayment, which is being financed through the sale of existing Wardair aircraft, will enhance the relative value of the Airbus aircraft as security for the main financing.

This did not, however, make the financing a pushover. Wardair has a policy of owning aircraft, not leasing them. It was not satisfied with the 12-year, maximum maturity on officially guaranteed aircraft loans and it wanted Canadian dollars to minimise foreign exchange risk.

This meant tapping the domestic Canadian bond market because long-term swap opportunities in Canadian currency are strictly limited.

The result was a deal which, sceptics say, reeks of financial sleight of hand. Its structure carefully obscures the way in which the risk of the still rather highly-gearred Wardair has been shared out among participants.

For two of the export credit agencies involved, Britain's Export Credits Guarantee Department and Coface of France, the deal is, however, the first in which they have offered what is technically known as "pure cov-

er". This is a guarantee without associated financing that can be used to back up issues in the capital market.

Bankers say an initially cautious Coface was prevailed upon by the French Finance Ministry to make this move. According to Mr Don Twyford, project group director, the deal

for Canadian market borrowings over which they had no direct control.

Second, rules on aircraft financing established by the Organisation for Economic Co-operation and Development require amortisation in equal six-monthly instalments, while bond investors generally prefer a bullet maturity in which repayment comes in one lump sum.

Hence the need for the banks to bridge the gap. Under the deal, which all parties stoutly maintain conforms to OECD rules, the two export credit agencies have made their guarantee available to participating banks who will use it to back up their own letters of credit in support of bond issues in the Canadian market. But the guarantees will amortise according to the conventional schedule regardless of the maturity structure of the resulting bonds.

After 12 years, the export credit agencies will be out of the deal altogether. Then, to extend its maturity to 15 years, a separate \$130m refinancing credit will come into play, backed by a deficiency guarantee from Airbus Industrie, the manufacturer, to insure the value of the aircraft should a default occur, which necessitates that the deal for which banks will receive a higher 35 basis point fee compared with the 25 basis point commitment fee on the main transaction.

Arguably this convoluted structure would have been unnecessary without the restrictive OECD rules. To make an airline accept a repayment of 12 years doesn't make economic sense," says Mr Tony Eilam of National Westminster.

At a time when most people involved in airline finance are worried that the bull market in second-hand aircraft has reached its peak, few agencies would like to change the agreed repayment schedule because it means their risk would increase.

Some, such as ECGD or the US Eximbank might support longer maturities, though with the qualification that this should be on a pure cover-basis to avoid the extra cost of interest rate subsidy.

Other, however, worry that longer maturities are all well and good for prosperous airlines operating in countries where the capital markets have some depth. But once established for these airlines it would be hard to refuse them for poorer borrowers where the risk of default is greater.

The Wardair deal also has another unusual feature. Because West German rules require funding for export credits to be funded locally, the West German portion of \$201.6m is being provided directly by the state-owned Kreditanstalt fuer Wirtshaftsbank and will not be raised in the Canadian market.

## Toyota plans engine plant for Indonesia

BY JOHN MURRAY BROWN IN JAKARTA

TOYOTA of Japan is to set up an engine manufacturing plant in Indonesia at a cost of \$75m. Mr Tetsuro Toyota, president of the motor group, said the new plant would produce 72,000 engines for the Kijang commercial vehicle, with 50 per cent of output for export to Japan.

Mr Toyota said the plant, which is to be in production by 1990, would make use of Indonesia's low labour costs.

This is Indonesia's first engine-making facility and is a timely boost for the country's motor industry, which has suffered a dramatic decline in domestic sales and spiralling debt costs following the appreciation of the yen and the 45 per cent devaluation of the Indonesian rupiah last year.

ROYAL DUTCH/Shell Group is investing 130m ringgit (\$40.5m) in new facilities at its Port Dickson refinery in Malaysia, which will include raising its capacity to refine local crude oil to 160 per cent from the present 90 per cent, Reuters reports from Kuala Lumpur.

The company said that the move was expected to contribute towards foreign exchange savings of about \$220m annually. The extension is expected to be fully operational by February 1988.

Its present capacity to produce bitumen will also be raised to meet the country's road construction requirements.

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1990, would make use of Indonesia's low labour costs.

The high yen has also added to the cost of knockdown components imported from Japan. Meanwhile, domestic input costs for plastic and steel have remained high.

More than \$400m has been invested in the industry since the mid-1980s, and over 20 foreign companies, mostly Japanese, have linked with local partners to produce some 45 different models.

Mr William Suradijaya, chairman of PT Astra, Toyota's Indonesian partner and the country's largest producer, predicted that "sales will increase substantially once the industry is supported by domestically-made engines."

Earlier plans to develop a domestic industry, by increasing the number of components made locally, coincided with the fall in local demand and have been postponed indefinitely.

Car sales fell from a peak of 220,000 units in 1982 to around 150,000 last year. The Government has since abolished duties on several imported components.

In a move to reduce excess plant capacity which the Automobile Association says is running at 41 per cent, producers are allowed to diversify product lines without prior approval. Next year Indonesia also hopes to export 20,000 Lincolns - a four-wheel drive utility vehicle - to the US.

## Taiwan approves broad tariff cuts for 1988

BY BOB KING IN TAIPEI

PROPOSALS for sweeping tariff cuts on more than 3,500 items will almost certainly be enacted by Taiwan's parliament early next year.

The Finance Ministry's proposal which has been approved by the Cabinet is aimed at soothing Taiwan's main trading partners, who are demanding increased access to this market. The government is also aware that a more open market will help upgrade Taiwan's economy and industries in the long run.

The cuts will bring Taiwan's average tariff level down from 20 per cent to 12 per cent, but most foreign analysts say that still more needs to be done before Taiwan can claim to have totally liberalised its trade policies.

The threats stem largely from continuing trade deficits with this nation. Taiwan last year enjoyed a \$13.6m surplus in its trade with the US and, by the end of last month, the surplus for 1987 had already surpassed the total for 1986.

The 3,500 items represent more than 80 per cent of the total on Taiwan's tariff schedules. They include such consumer items as garments, shoes, colour televisions and video tape-recorders, as well as industrial, agricultural and food products.

The US, which has been especially vocal in demanding tariff reductions and the lifting of other trade barriers, has threatened sanctions against Taiwanese exports.

The threats stem largely from continuing trade deficits with this nation. Taiwan last year enjoyed a \$13.6m surplus in its trade with the US and, by the end of last month, the surplus for 1987 had already surpassed the total for 1986.

## Asea and Amtrak secure mass-transit cars order

BY SARA WEBB IN STOCKHOLM

ASEA, THE SWEDISH electrical engineering group which is merging with Brown Boveri of Switzerland, said yesterday that it has won, with Amtrak of the US, a \$44m order to supply mass transit cars to the South-Eastern Pennsylvania Transportation Authority (Septa).

The Swedish group considers this a breakthrough because, till now, Asea has won orders in the US for locomotives used for inter-city traffic, but not for mass-transit cars.

Asea believes that the market for electrically-powered systems of mass transit - such as commuter trains, subway cars or light rail vehicles - is expanding in the US as more cities are considering such systems, partly for environmental reasons.

Asea and Amtrak have formed a joint venture to supply

26 mass-transit cars to Septa. Asea said that it will receive slightly less than half of the order value.

The Swedish group is supplying the car bodies and electrical engineering fittings. These will be sent to the US, where Amtrak will have responsibility for the assembly and fitting out of the car interiors.

The cars are expected to start operating by the end of 1989 on the Philadelphia-Norristown suburban line.

Ericsson, the Swedish telecommunications and electronics group, has won a \$11.1m (£1.05m) order to supply 500 payment terminals for the British Eftpos (Electronic Funds Transfer at the Point of Sale) network. These will be used in retail outlets such as supermarkets and petrol stations.

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You drink it, of course, because you like it.

Because it is pure, French, naturally sparkling, refreshing.

Or you drink it because you are usually given Perrier when you ask for mineral water.

Or because you ask for Perrier and not for mineral water, using the name as a generic.

None of which quite answers the question.

Why Perrier?

Why not some other mineral water?

Why mineral water at all?

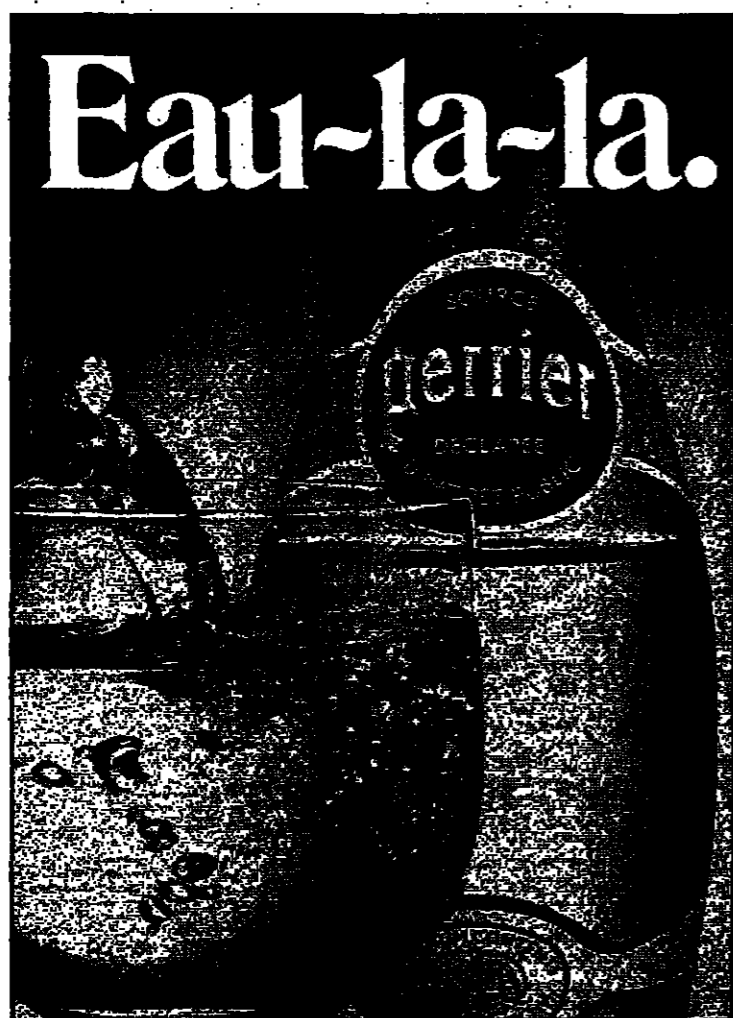
To answer those questions, we must go back eleven years.

In 1976, the British bought 6 million bottles of mineral water.

Fewer than 3 million of them were bottles of Perrier.

And somebody expressed the not unreasonable opinion that the British would never pay for water.

In 1978, Leo Burnett ran this modest four-sheet poster in London:



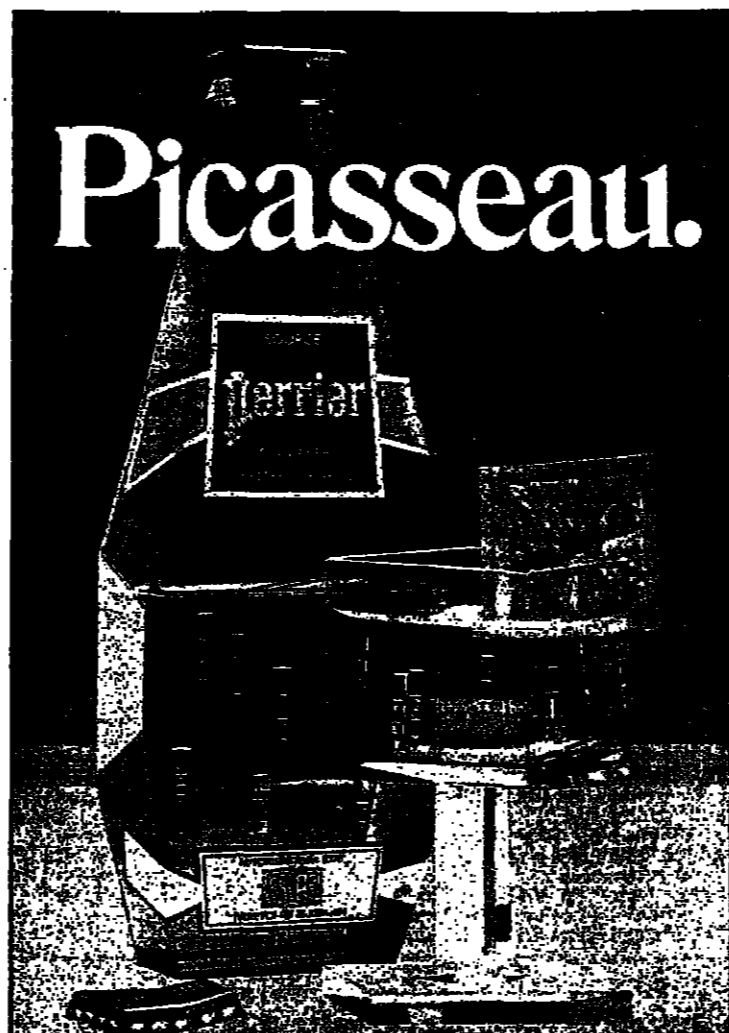
Since then, a lot of water has flowed under the bridge.

Last year, the British bought 128 million bottles of mineral water.

More than 77 million of them were bottles of Perrier.

In the last 12 months, Perrier have sold more than 100 million bottles and sold 4 million in one week alone.

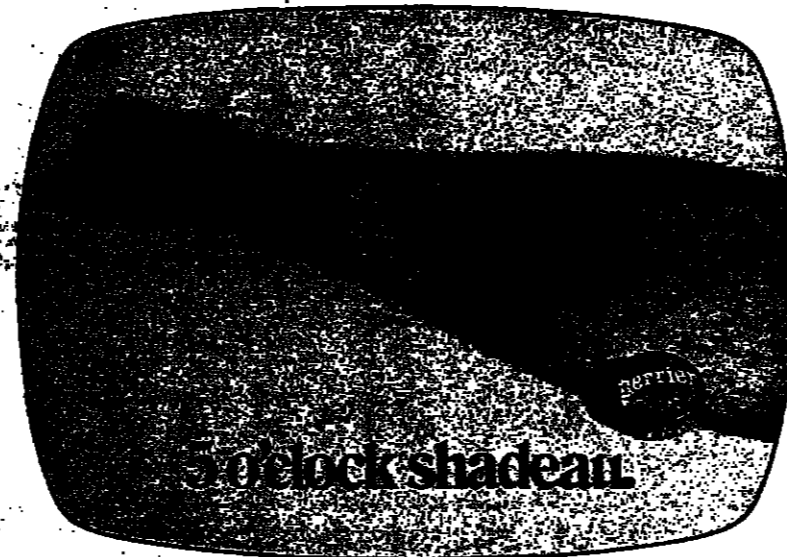
It has a bigger share of that much



bigger market and is still far and away the brand leader.

Despite the coming of many new waters.

Despite even the competition of own-label.



Not much, though, has happened to the advertising.

It appears in more media and more

Its success, in fact, is deceptive.

The Perrier campaign looks far bigger than it is because it is long-running and consistent.

Which brings with it an added advantage:

Having built a brand, you can extend it.

Last year, Perrier introduced Perrier flavours.

We considered other campaigns, but this was the launch advertisement:

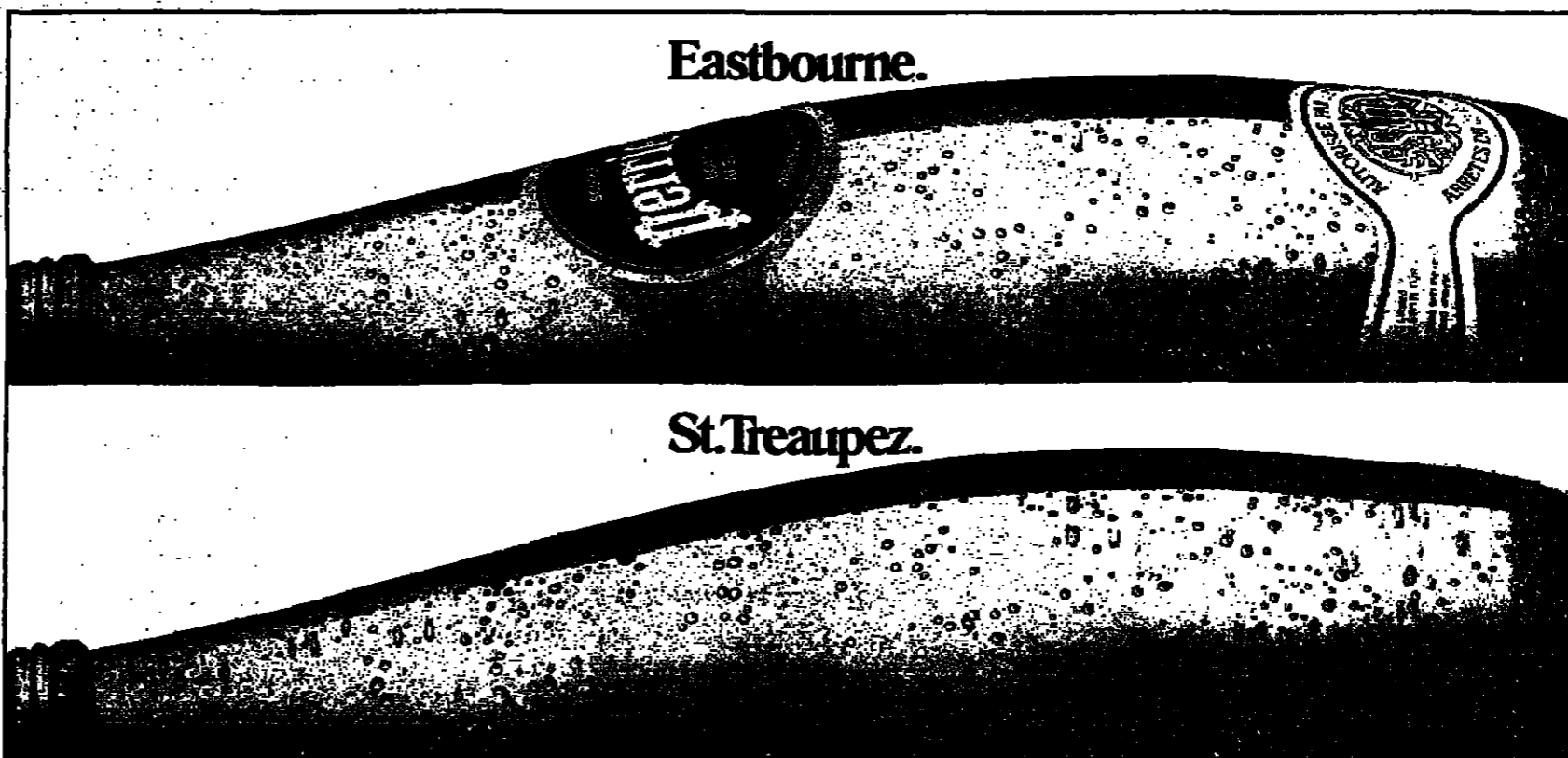


Perrier flavours have now sold more than 15 million bottles.

The advertising, of course, isn't the only reason.

Perrier is an excellent product, as you know.

But, without the advertising, would you have known it?



parts of the country, but the campaign is still the same.

Not because we are complacent or have run out of ideas.

But because it is still building the brand and increasing the sales.

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## UK NEWS

## Manufacturing costs fall for second month

BY SIMON HOLBERTON

THE GENERALLY favourable outlook for prices in Britain was underlined yesterday by official figures showing a fall in manufacturers' costs last month for the second month in succession.

The outlook remains favourable despite an unexpectedly large rise in factory gate prices, which was attributed to what appears to be a one-off rise in prices in the food, tobacco and drinks industries.

According to the Department of Trade and Industry, the cost of industry's materials and fuels rose by 5.1 per cent in the 12 months to October, compared with a rise of 7.1 per cent in the year to September. In October, itself, manufacturers' costs fell by 0.7 per cent on a seasonally

adjusted basis.

A leading factor was a fall in petroleum products prices, which was only partly offset by an increase in metals prices during the month.

Sterling's continued strength, together with generally weaker commodity prices worldwide, should moderate upward pressure in the prices industry pays for fuel and materials. The pound's strength should also have a moderating effect on British industry's prices because of the need to remain competitive with imported manufactures.

In his Autumn Statement, Mr Nigel Lawson, Chancellor of the Exchequer, forecast a rise in retail prices of 4.5 per cent in 1988. This is generally regarded

by independent economists as being on line with, or slightly higher than, their forecasts.

Factory gate prices rose 3.9 per cent in the year to October and rose 0.5 per cent during the month itself. The DTI said almost all of this increase was attributable to a rise in prices for food, drink and tobacco.

These prices rose 2.4 per cent in the year to October, compared to 1.6 per cent in the year to September. In October, they posted a monthly gain of 0.8 per cent. The DTI said this index rose chiefly because of increases in bread and milk, and cigarettes and beer, which had not risen during the year.

Prices in other manufacturing activity, however, remained fairly stable.

## Granada launches £222m bid for Electronic Rentals

BY NIKKI TAIT

GRANADA, the TV and leisure group, yesterday became the first British company to launch a major takeover bid since the collapse in world stock markets, with a £222m offer for Electronic Rentals, the consumer electronics business.

Almost immediately, its advisers went into the market, picking up a 14.9 per cent stake in Electronic Rentals at prices ranging from 73.5p to 76p.

Last night, Electronic Rentals was still undecided on its response ahead of a board meeting to be held today.

Granada has made its bid conditional on a recommendation by the Electronic Rentals board, but reserves the right to waive this condition if it wishes.

The two companies rank second and third respectively in the TV and video rental market. The market leader is Thorn-EMI, the electronics group, with an estimated 40 per cent market share. Granada is thought to have something over 20 per cent of the market, and takes in the 620-strong Granada TV Rental chain.

Electronic Rentals comes third with under 15 per cent, and markets under the Vision hire name. In addition, both Granada and Electronic Rentals have electronic rental and

retail interests overseas.

The large market share which a combined group would command immediately led to market fears that the bid would provoke a reference to the Monopolies and Mergers Commission.

Granada is offering nine 7.5 per cent convertible preference shares plus 585p in cash for every 20 Electronic Rentals. With Granada down 28p to 241p yesterday, analysts were valuing the preference shares at 105p.

Electronic Rentals was seen as a strong growth company in the mid-1970s, but it has suffered from high borrowings in the wake of some less than successful acquisitions over the past two years.

Pre-tax profits in the year to end-March reached £18.5m on sales of £306.7m, and analysts expect a fairly strong recovery to £22m in the current 12 months.

Granada, meanwhile, takes in four divisions, of which TV and video rental/retail is the largest - accounting for 60 per cent of trading profits and sales of over £500m.

Pre-tax profits in the year to end-September 1986 totalled £92.5m and the company is expected to make over £110m in the year just ended.

Lex Page 28; Analysis Page 35

## Ford hit by unofficial action

BY CHARLES LEADBEATER, LABOUR STAFF

PRODUCTION at Ford Motor Company's Halewood and Dagenham car plants was disrupted yesterday by unofficial action in protest at the company's three-year pay offer.

The company lost production of about 1100 cars after 800 skilled maintenance workers walked out at Halewood, in north-west England. They were particularly angered by Ford's proposal to break demarcation lines between skilled and

semi-skilled workers.

Production is expected to return to normal later today after a backlog of faults has been cleared.

About 1,000 supervisors at the Dagenham plant and the company's research centre at Dunton, both in the London area, walked out after a mass meeting yesterday morning. Officials of ASTMS, the technicians' union, predicted further industrial action unless the company with-

draws its offer which includes far reaching changes to the role of supervisors.

Officials of the manual unions, the Transport and General Workers Union, the AEU engineering union and the EETPU electricians' union, are expected to reject large parts of the company's offer at pay talks tomorrow.

## Customs fears on Tunnel drug traffic

BY JIMMY BURNS, LABOUR STAFF

IF CUSTOMS controls are carried out on board trains arriving at the British end of the proposed Channel Tunnel, UK efforts to curb international drug smuggling would be undermined, civil servant unions, representing 40,000 uniformed customs officers, said yesterday.

The warning came in response to a parliamentary bill authorising the Channel Tunnel project which would provide for on-board customs controls for trains arriving in the UK and journeying beyond London.

Union officials said it was normal practice for UK customs officials to search ships and aircraft after passengers and crew had disembarked. If the same practice was not pursued on trains, "real dangers would exist of smugglers concealing drugs on the train for retrieval after the customs controls were completed."

Mr Jim Sweeney, an official of the Society of Civil and Public Servants said: "On-board controls would be a farce turning to tragedy when international drug smuggling organisations exploit the inevitable weaknesses in the UK customs controls."

The House of Lords earlier this year stated that on-board train customs control was already widely practised on the continent. It argued that the practice reduced the time involved in disembarking passengers and was thus justified in commercial terms.

But union officials have written to Mr Peter Brooke, Paymaster General, urging him to reject any application from railway operators for on-board customs controls.

The letter argues that "putting the nation at serious risk of increased drug smuggling" is too high a price to pay for a "fifteen-minute" reduction in journey time.

## Union clears itself of print plant allegations

BY PHILIP BASSETT, LABOUR EDITOR

LEADERS of the EETPU electricians union have cleared the union of charges that it broke at the Trades Union Congress' conduct guidelines at Mr Rupert Murdoch's News International's Wapping plant.

The EETPU's executive council yesterday received the re-

port of an internal inquiry examining charges that the union continued to be involved at Wapping against TUC instructions.

The TUC's instruction followed a year-long dispute which began in January 1986.

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Small Business ☐ Sat 31st Oct

Retail & Distribution ☐ Mon 2nd Nov

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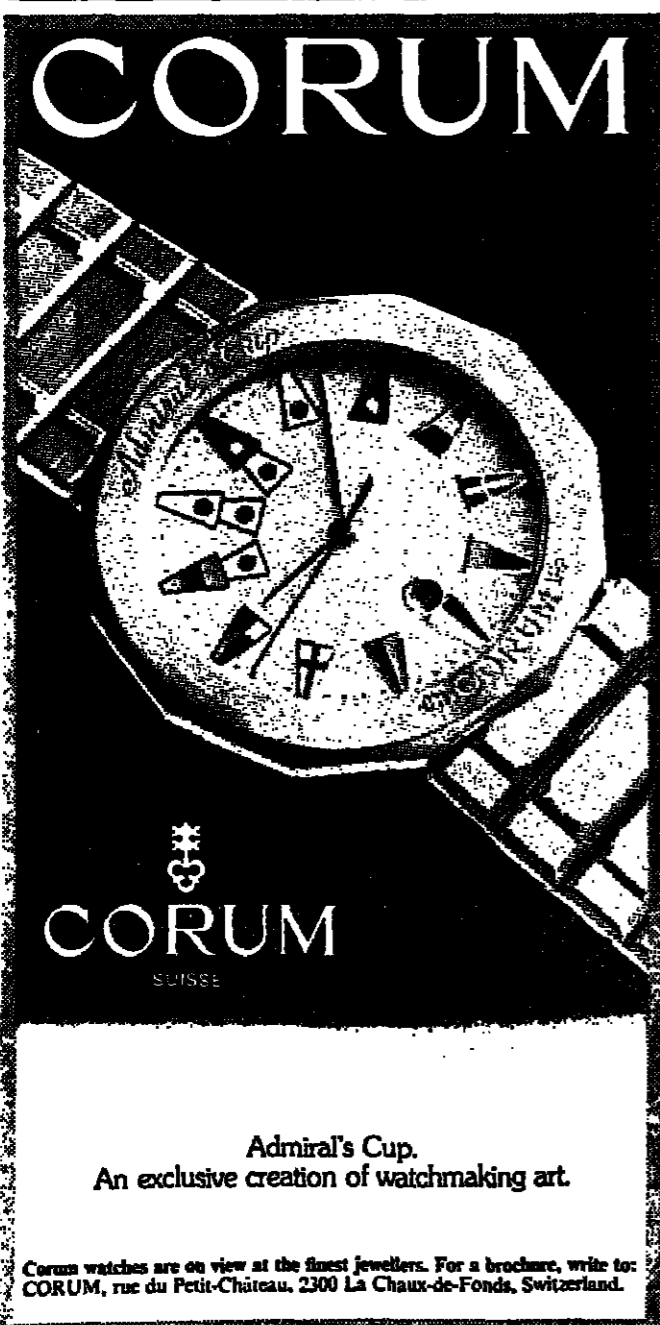
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Irritability is just one effect of jet-lag. (You want to argue about it?)

The longer your journey the shorter your temper, your attention span and your memory. You may also feel exhausted, fuzzyheaded, sleepy during waking hours, and hungry outside meal times.

Jet lag (or circadian dysrhythmia if you're a boffin) is the result of your physical and mental faculties literally lagging behind those of people living in the country you're visiting. At least, that's true if you're flying east. Flying west you'll be ahead, so 'jet lead' might be more appropriate.

Either way, you're unlikely to be at your best when you land.

#### WHAT ON EARTH CAN YOU DO?

There are ways of reducing the effects of jet lag.

You could start by being young. Children adjust to time changes much more quickly than adults. (Babies under three months haven't yet formed any clear biological rhythms, as many a sleepless parent will testify.)

Being fit and healthy helps, too.

You can also try some pre-flight adaptation. If you're going east, go to bed and get up earlier; going west, make it later. Also shift your meal times in the appropriate direction.

(Of course, while this may help you it may also drive those around you crazy.)

Once you're on the plane, take it easy generally. It's not the jet that causes jet-lag, but the speed that it carries you across time zones.

An uncomfortable journey can make you feel much worse, though. The low air-pressure and lack of humidity in the cabin don't help much either.

So if you can't sleep, relax. If you have to drink, drink plenty of water or fruit juice and go easy on the alcohol. If you want to eat, remember your digestive system is all over the place.

And if you're given the choice, fly Qantas.

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Bear in mind that any problems you may have on a flight will be exacerbated by the length of the journey. For instance, a slightly uncomfortable seat may be bearable for an hour or two but will become an obsession beyond that.

Qantas have been flying longer flights longer than anyone. In fact, after KLM we've been flying passengers longer than anyone, so we think we've learned a bit about flying long distances.

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#### WHEN YOU GET DOWN UNDER, HOW LONG WILL YOU BE BELOW YOUR BEST?

There are over 50 physiological and psychological rhythms that can be upset by jet lag, and they don't all get back to normal at the same rate.

As a rough guide, it takes about a day per time zone to recover fully. To get to Australia, you cross through ten.

Since time is money, recovering fully can be expensive. But so can making a bad decision. (Tests have shown that jet lag can cause up to a 10% decrease in mental speed, accuracy and vigilance.)

What can you do about it?

It's best to start with some time off to relax and acclimatise. Don't rush into any meetings. (If you can arrange it, arrive on a Saturday and have the weekend to yourself.)

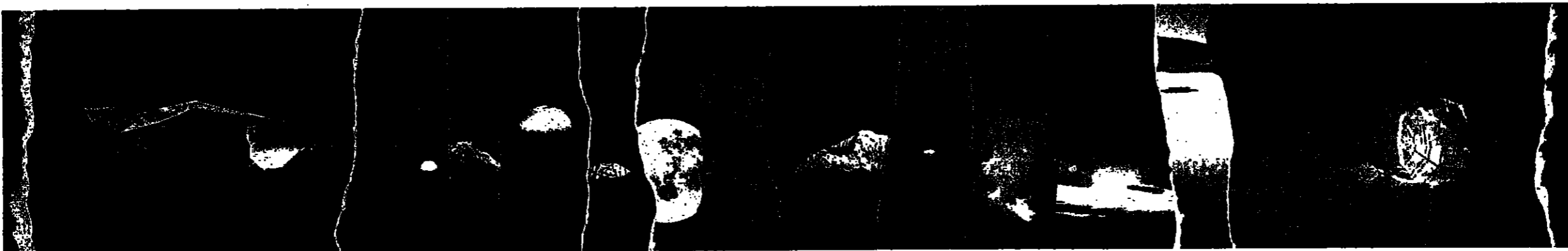
Try to fit in with the new routine. This may mean propping up your eye-lids with matchsticks, but it's easier to will yourself to stay awake

than it is to will yourself to sleep. Walk around and take in the sights - activity is a good antidote to sleepiness.

When you do fix a meeting, make sure it's at a time when you'd be awake at home. Otherwise you could be caught napping.

Australia is a long way to go to make a mistake. So before you take off, make sure you're flying with an airline that cares about your well-being on and off the ground.

If you do make a mistake going out, never mind. You can always correct it coming back.



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## UK NEWS

## Michael Donne reports on the expansion at London's second airport Gatwick reaches for a new skyline

GATWICK AIRPORT, the second airport for London and the second busiest international airport in the world after Heathrow, is gaining a new skyline as the £250m second passenger terminal building approaches completion on the north side of the airport.

This huge structure - six times the size of the Royal Albert Hall in London, and as big as Terminal Four at Heathrow, which opened a year ago - looks striking in its cladding of blue enamel and silver aluminium panels and smoked glass. It is expected to open for business next spring.

The building (now designated the North Terminal, with the existing passenger area renamed the South Terminal) is already nearly a year late, as a result of financial constraints imposed on the former British Airports Authority before its privatisation by the Government.

As a result, the terminal is now desperately needed, as air traffic over the past year has risen much faster than expected.

The existing South Terminal has been expanded over the years to cope with a theoretical maximum of 16m passengers a year. In fact, in the 12 months to the end of September, it handled 18.8m passengers, a rise of 17.3 per cent over the previous 12 months. By the end of this year, the figure is expected to have topped 19m. Transport aircraft movements at the airport over the same 12 months rose by 7.5 per cent to 166,100.

Inevitably, congestion in the South Terminal at peak periods



Gatwick's North Terminal: handles 11 aircraft at a time

is severe, and facilities are strained almost to breaking point.

The North Terminal will raise the ultimate total capacity of Gatwick to 25m passengers a year, while it remains a single-runway airport. Some sections of the air transport industry for a second runway, but such a development is now impossible.

Not only has it been legally ruled out as a result of an agreement some years ago between the BAA and West Sussex County Council, but land originally available for such a runway has been taken over by other developments, such as the enlarged cargo terminal, a control tower and now the new passenger terminal.

The North Terminal is being developed in phases. When it becomes operational, about two thirds of its capacity will be available immediately, accommodating up to about 5m passengers a year.

The remaining capacity, up to the full 9m passengers a year, will be brought into use progressively as traffic rises. Development is expected to be complete by about 1991.

The terminal will not only ease immediate strains, but carry Gatwick through to the mid 1990s, when overall airport terminal capacity in the London area will be expanded by the new terminal at Stansted Airport, Essex, now under construction.

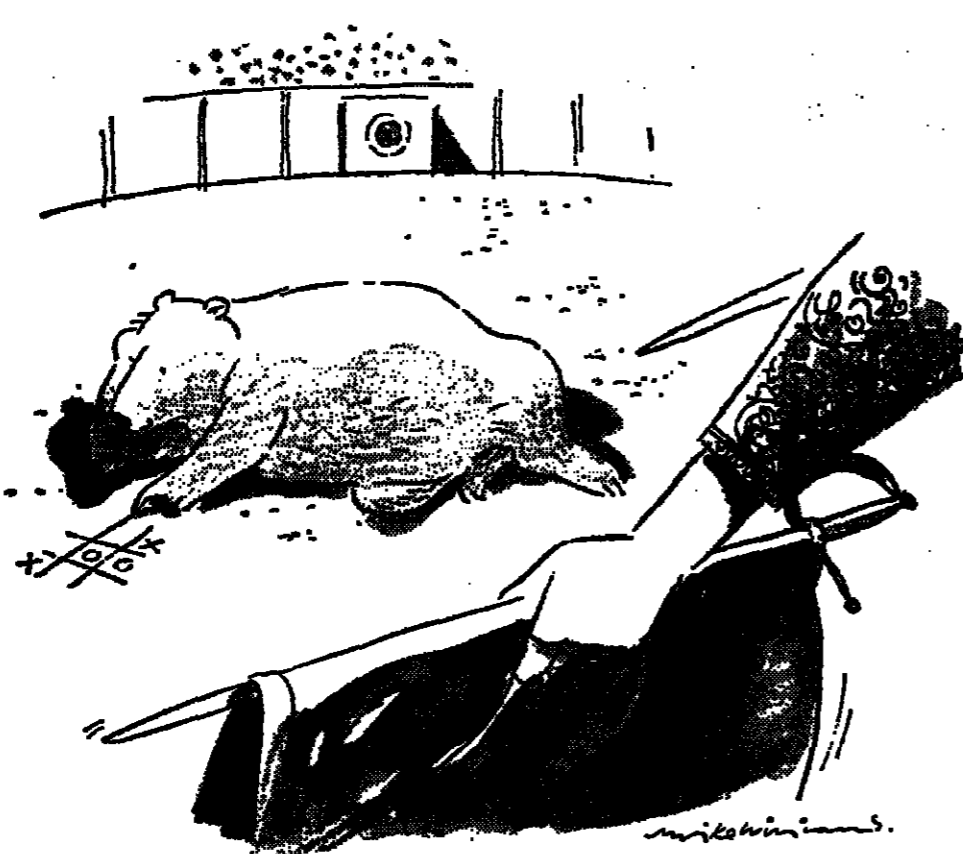
The North Terminal is more than 1km from the existing airport buildings, although linked to them (and the British Rail main-line station) by a computer-controlled rapid transit system, as well as by road. But the terminal is self-contained - in effect a "mini-airport" in its own right, in much the same way as Terminal Four at Heathrow is separate from the central area of that airport.

The terminal will have road access from the A23 and M23, as well as its own car parks, its own airlines (British Airways will be among the first users), its own aircraft stands and handling arrangements, and eventually its own hotel.

The philosophy behind the design of the North Terminal has been to make it simple and pleasant to use. What many believe to have been mistakes at Heathrow's Terminal Four, such as dull and overpowering interior decoration, have been avoided, with lighter and brighter colours.

A large shopping mall, called The Avenue, the first of its kind at a UK airport, will supplement the exceptionally large duty-free shop.

The fundamental design feature of the terminal is its flexibility. A grid of steel columns, positioned to give the maximum span over public areas such as the arrival and departure halls and the shops, means that structurally each of the North Terminal's three floors is effectively open-plan. Partition walls can be easily moved to meet changing requirements.



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## Electricity boards differ over sell-off

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

CLEAR differences of opinion are emerging between the two Scottish electricity boards over the way in which they would like the Scottish electricity industry to be privatised.

The North of Scotland Hydro-Electric Board, which serves the northern part of the country, is believed to be opposed to the plan for the future structure for the industry favoured by the much larger South of Scotland Electricity Board.

The SSEB has made clear in recent weeks that it wants a single holding company set up to own both the SSEB and the NSHEB. The public would have

shares in that holding company. The two boards finance their generating systems jointly and utilise their power stations according to a single merit order, similar to that operated by the Central Electricity Generating Board in England and Wales.

Power is drawn from the most efficient power station in the merit order, irrespective of which board runs it. The Scottish boards handle generation and transmission, as well as distribution.

The SSEB believes that the two boards would keep their autonomy under the holding company. The NSHEB believes that under a holding company it

would lose its identity, staff morale would suffer, and the service to remote communities would suffer.

The NSHEB would prefer the two boards to be privatised separately, a solution that would also provide more competition, since it would be possible to compare the performance of the boards against one another.

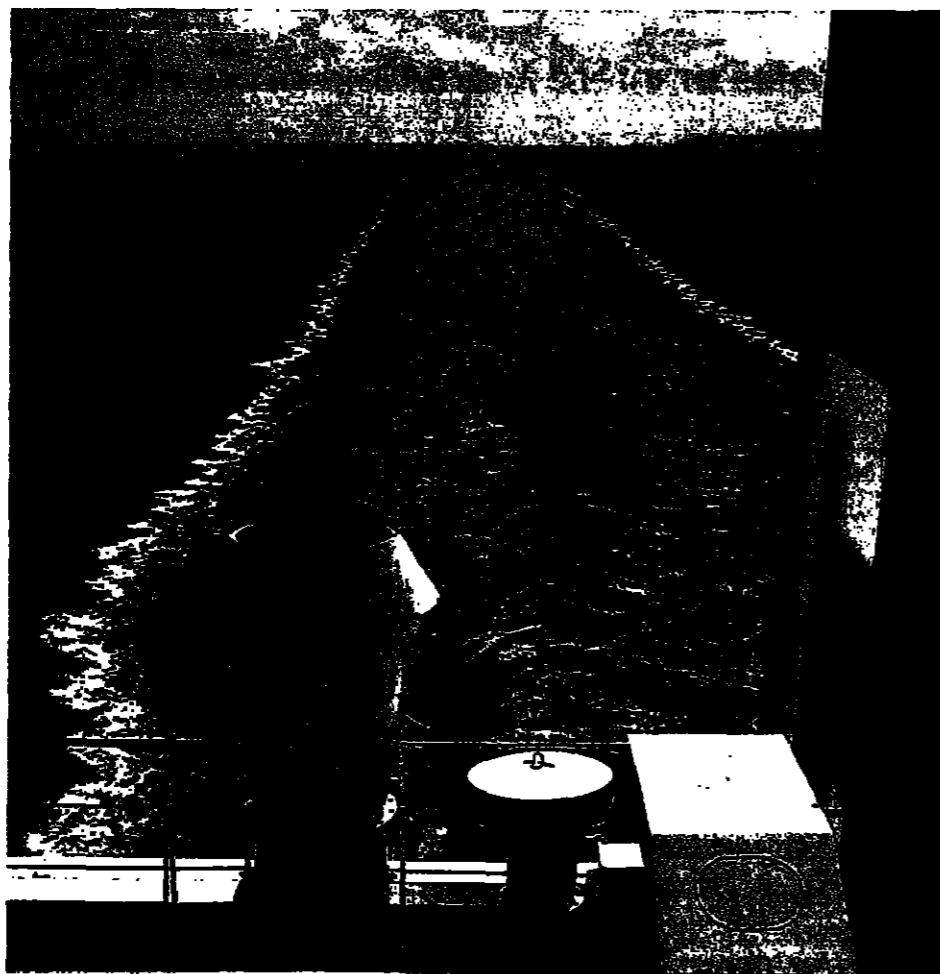
The NSHEB does not think that the existence of separate boards would hamper the close collaboration between the two boards. Charterhouse, its financial advisers, are thought to believe that with revenues that in 1986-87 totalled £24.5m the NSHEB would make a sizeable

profit in its own right.

The NSHEB's financial advisers are also understood to think that the board would be attractive to investors as a separate entity, although some conversion of the NSHEB's debt into equity might be necessary. In the last financial year, the board made a net profit of £22m.

The two Scottish boards have to make their detailed submissions to the Scottish Office on the form of privatisation by the end of the month. Mr Malcolm Rifkind, the Scottish Secretary, should present his own recommendations to the Cabinet by the end of the year.

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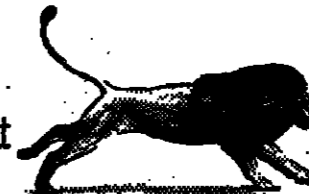
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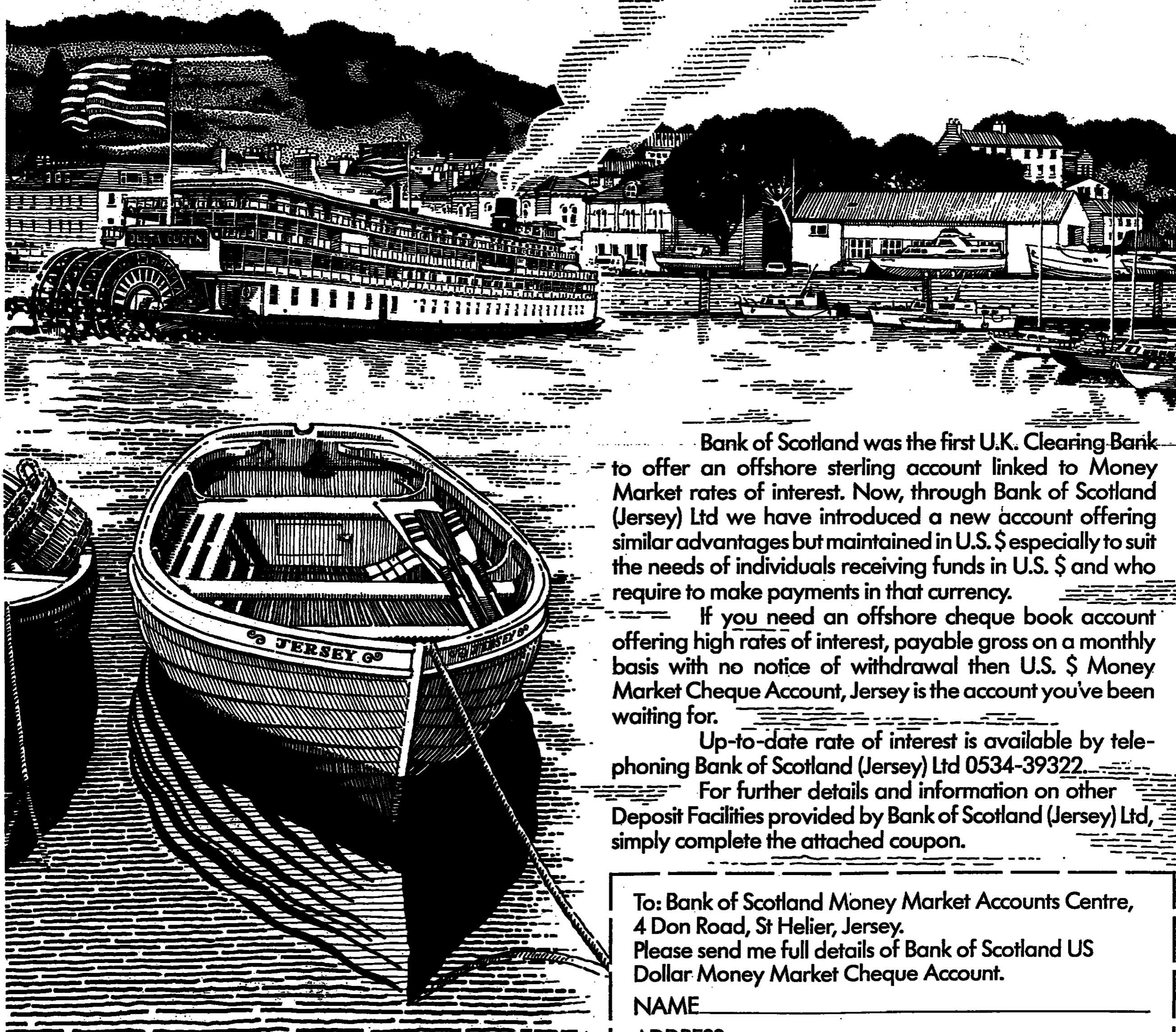
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## UK NEWS

# Shah moves into independent TV production

BY RAYMOND SNOODY

MR EDDIE SHAH, founder of the Today newspaper, is to set up an independent television production company, Messenger Television Production.

Mr Shah, who was once a television floor manager before going into the newspaper business, said: "We will set up an intermediary production company between the very small independent producer and the big network companies including the BBC."

After his departure from Today, Mr Shah has concentrated on the development of his Messenger group of newspapers in the Cheshire and south Manchester area. He owns 24 free and paid-for local newspapers and forecasts that the group will make a pre-tax profit of £2.5m this financial year on a turnover of £14m.

He has a 10 per cent stake in Today, now owned by Mr Rupert Murdoch.

Mr Shah now intends to turn his attention to setting up his independent production company which will aim to encourage independent production in the north of England.

Independent television production is a growth area, with

the Government insisting that independent producers should have access to about 25 per cent of Britain's four national television channels.

Mr Shah believes many small independent producers will be surviving through the 12-18-month lead time involved in producing many television programmes.

Mr Shah's company aims to finance the development of ideas and help with budgeting, arranging finance and overseas distribution.

"We are now actively seeking ideas from independent producers. We want ideas, whether they are for religious programmes, quizzes or drama," Mr Shah said.

He says he has already had talks with senior ITV and BBC executives and claims the response has been "extremely positive."

The founder of Today, who played the role of catalyst in the transformation of the working practices and economics of the British national newspaper industry, has no similar ambitions to revolutionise television.

Messenger Television Production is already working on four ideas for documentaries.

## Warsaw Pact views British forces

TWELVE senior military figures from the Warsaw Pact saw the elite of Britain's armed forces in action yesterday, for the first time since the signing of a new treaty to foster better links between East and West, and declare it had reduced the risk of war.

Armed with just cameras and binoculars, they watched intently as the Royal Marines performed a series of beach and helicopter landings for Exercise Farpole Warrior in south-west Scotland.

There was particular interest in a parachute drop by the First Battalion of the Parachute Regiment.

Under the terms of the Stockholm Agreement 34 observers from the Warsaw Pact, Nato and non-aligned countries were allowed facilities to watch the exercise, the biggest involving all three services in Britain.

A total of 35 countries signed the agreement, which allows for observers to watch military exercises in each other's countries.

The Warsaw Pact sent representatives from the Soviet Union, Hungary, Bulgaria, Poland, East Germany and Czechoslovakia. They were able to talk to officers and men alike.

Later Colonel George Gueorguev from Bulgaria said: "Having met these men today, it would be difficult to come face to face on the battlefield and shoot each other."

Colonel Viktor Koshin from the Soviet Union said: "All armies are the same in general. It is very important to believe and test each other and relieve international tension."

Immunologically dressed in his Soviet army uniform, he said he had enjoyed watching the exercise which, he stressed, had been carried out to the letter of the Stockholm Agreement.

Major General Istvan Zsember from Hungary found the British officers were "friendly and open." He added: "This is a small contribution to strengthening mutual confidence between the two forces."

The observers are staying at a top-class hotel in Stranraer.

Tonight Ian Stewart, Armed Forces Minister, will host a dinner for the observers and, instead of the usual loyal toast to the Queen, they will raise their glasses to the Stockholm Agreement.

## Alan Pike on the demands to the Government by victims infected through the NHS Plea by the haemophiliacs who have AIDS

WHEN Julian Miller left university four years ago he began a promising career as a marketing executive in Royle, the London advertising agency which is now part of McCann Erickson.

With tragic irony, nothing could have qualified him better for the way he is currently spending his days.

Mr Miller, 25, is a haemophiliac who has been infected with HIV - the AIDS-producing virus - through contaminated blood products used in the National Health Service treatment of his illness.

Like 1,200 other haemophiliacs infected with the AIDS virus in this way, he has no idea how much longer he might live. Unlike almost all the others, who for numerous understandable reasons seek anonymity in their dreadful plight, he is openly using his marketing skills to support a campaign by the Haemophilia Society for government financial assistance for the 1,200.

"I am prepared to look people in the eye and say 'Hi, I'm Julian. I've got AIDS. What are you going to do about it?' he declares in a tone so positive and so confident that he could be mistaken for any young, enthusiastic advertising executive selling the latest transient product.

But - not least because he is young and enthusiastic and wants to live - he admits that such confidence cannot always be maintained. No one knows

exactly how many of the 1,200 haemophiliacs exposed to HIV will develop full-blown AIDS, or against what sort of timetable, but the prognosis is not good.

So far, 60 have developed AIDS and 45 are dead. In 18 cases, wives have become HIV-positive as a result of sexual transmission of the virus. Specialists suggest that some of the victims who do not die might suffer severe loss of mental powers and dementia.

"Every time you get a cough, every time you lose weight or have a sweaty night, you imagine it is developing. You think 'This is it' and your family thinks it too," says Mr Miller.

Haemophilia is an hereditary blood disorder. Its sufferers do not have sufficient amounts of the clotting agents factor VIII or factor IX in their blood, and their life-threatening disorder is controlled by treatment with transfusions and injections of the missing elements produced from human plasma. It was through such contaminated blood products that the 1,200 became infected, primarily from imported material - the NHS meets only about 30 per cent of demand for factor VIII from domestic sources.

There are about 5,000 haemophiliacs in the UK, of whom 2,000 are severely affected. More than half the people with severe haemophilia, who have had the most frequent need for life-preserving blood treatment,



Julian Miller, openly using his marketing skills

have been infected by the AIDS-producing virus.

Mr Miller has the support of a caring circle of family and friends. And, although he has resigned from McCann-Erickson because of a bout of ill health related to his haemophilia, his employer raised no objection to his continuing in employment when he discovered he was HIV-positive.

Many people affected with the AIDS virus are less fortunate, and face problems ranging from being shunned by workmates, employers and neighbours to being denied mortgages or life insurance at reasonable premiums.

For such reasons, most of the 1,200 infected haemophiliacs do everything possible to conceal the fact that they are HIV-positive; some are believed to have not even told their own families the results of tests.

Against such a harrowing background, Mr Miller and other representatives of the Haemophilia Society last week met Mr John Moore, Social Services Secretary, and Mr Tony Newton, Health Minister, to present their case for government support.

The Government's reaction to previous approaches from the society has been to urge it to explore the possibility of redress through the courts. Legal advice obtained by the society suggests that claims for compensation would be unlikely to succeed because of the difficulty in proving negligence, although the sufferers were infected as a result of treatment within the NHS.

Going to law would, in any case, take considerable time and the society emphasises that the needs of the 1,200 and their families are urgent and must be met now.

Whatever the legal position, the society believes the Government has a clear moral responsibility in the matter. "The implications of HIV infection upon the families of people with haemophilia have been devastating," it says in a submission to ministers. "Haemophilia

is already a potentially life-threatening disorder. HIV and AIDS are placing an intolerable pressure upon family life."

The society's demands include:

- A fund to help householders with insurance premiums, so that their homes are protected.
- Non-means-tested hardship payments for the dependants of sufferers who die from having been exposed to the virus.
- A weekly non-means-tested benefit of £25-£75 to help sufferers cope with the added financial burdens of their plight. These include the need for special high-protein diets, extra heating, laundry and clothing costs and travel to hospital.

Mr Miller says the Social Services Secretary reacted compassionately at last week's meeting, and agreed that the issue was an urgent one. The society is awaiting the Government's response.

Since 1985, blood has been heat-treated to prevent HIV infection. So the financial implications of a government decision to meet the demands of the Haemophilia Society would be restricted to the existing group of sufferers.

It would also be restricted in another way as Mr Miller and the other 1,200 recognise, and he makes the point in his most detached, matter-of-fact tone of voice. "The cost of any obligation the Government enters into is going to decrease as we die."

## Sullivan nets £1m from Morning Star office sale

BY RAYMOND SNOODY

MR DAVID SULLIVAN, publisher of the newspaper Sunday Sport, has sold the former headquarters of the less-than-Communist daily paper, Morning Star, making more than £1m profit from his three-month ownership of the building.

To the astonishment of many Communist Party members, the Morning Star sold its headquarters in London's Farringdon Road in July to Mr Sullivan's company, Apollo, which is best known as a publisher of soft pornography.

Estate agents White Michaels Druce, which acted for Mr Sullivan, said yesterday that AC Holdings had paid well in excess of £3m for the building which Mr Sullivan had purchased for £2.1m.

Mr Joe Malvisi, managing di-

rector of White Michaels Druce, said the £3m-plus price reflected the spill-over effect of the City of London and the fact that over the past three months the status of the building for full business use had been clarified.

Mr Sullivan originally bought the 33,000 sq ft building to be the headquarters of the Daily Sport, the national daily he intended to launch next year. The building became surplus to his requirements after the relationship, which has since collapsed, between The Star and Sunday Sport.

Mr Sullivan said last week he now had no immediate plans to turn Sunday Sport into a daily. It is believed that AC Holdings plans to develop the site for offices.

## Holiday groups calm over cuts

BY DAVID CHURCHILL, LEISURE INDUSTRIES CORRESPONDENT, IN MUNSTER

TWO of the largest UK package tour operators, Intasun and Horizon Holidays, yesterday refused to be panicked into immediate retrenchment over the £18m worth of price cuts announced on Sunday by Thomson Holidays.

Intasun and Horizon, the second and third largest tour operators behind Thomson, said yesterday they had no plans to cut prices on existing brochures at present.

Horizon, however, yesterday launched brochures for its Wings subsidiary - bought last month by the Rank Organisation - with an offer of £50 off published prices for early bookers.

Mr David Cockerton, Horizon's managing director, said yesterday the discounts offered on Wings holidays were not a reaction to the Thomson move.

But both Horizon and Intasun are determined not to let Thomson's move succeed at their expense.

"If there is a realignment of market share in favour of Thomson then there will be a price war like never before," said Mr Roger Hespe, managing director of Intasun.

Intasun sees the Thomson move as a reaction to the lower prices first offered in the Intasun brochures last month.

Mr Cockerton also pointed out that Horizon Holidays were very competitive in comparison with those offered by Thomson.

The Thomson move, however, which will cut prices on more than 1m holidays, was criticised by many delegates to the Association of British Travel Agents Conference meeting in Innsbruck yesterday.

Travel agents and other tour operators fear the Thomson price cuts will encourage consumers to defer booking holidays in the expectation of further price cuts.

They also fear that by concentrating on price, the travel trade is not tackling the problem of rising complaints from disgruntled holidaymakers.

Consumer complaints made to ASTA have risen by 38 per cent this year.

The real worry for the travel trade, however, is in case bookings do not pick up in the next few weeks because consumers are uncertain about the UK economy after the stock market collapse.

If bookings for next summer do not pick up by early December, then both Intasun and Horizon - and even Thomson - may be forced into making further price cuts to boost demand.

The Rank Organisation is to invest a further £20m in the next three years in upgrading its Britline holiday camps and hotels in addition to the £20m already spent since 1985.

## Plan to convert Colditz Castle into luxury hotel

BY DAVID CHURCHILL

COLDITZ CASTLE, the most famous German prisoner-of-war camp during the Second World War, may soon be turned into a luxury five-star hotel.

The plan, announced yesterday at the Association of British Travel Agents Conference in Innsbruck, is aimed at boosting tourism to East Germany from the UK.

But the scheme has still to receive official approval from the East German Government and it might also run into problems from Colditz survivors, who may see the scheme as desecrating the memory of comrades who died trying to escape.

The main behind the scheme is Mr Gunter Thoma, managing director of German Tourist Facilities, a UK tour company specialising in holidays to East Germany.

Mr Thoma said yesterday that there would be "no fun and games" at the proposed hotel. "We are not going to ask people to pay to get in and then lock them up until they escape," he added.

But Mr Thoma hopes to invite some of the former prisoners to visit the hotel, if it is built. "This time they would be able to leave at the end of the weekend," he said.

Colditz Castle, which is situated just outside Leipzig in East Germany, was built in the late 17th century by August the Strong, King of Poland. It was first turned into a POW camp in the First and Second World Wars.

The Nazis believed the castle was escape-proof and used it to house "difficult" prisoners - those who had already tried escaping from other POW camps.

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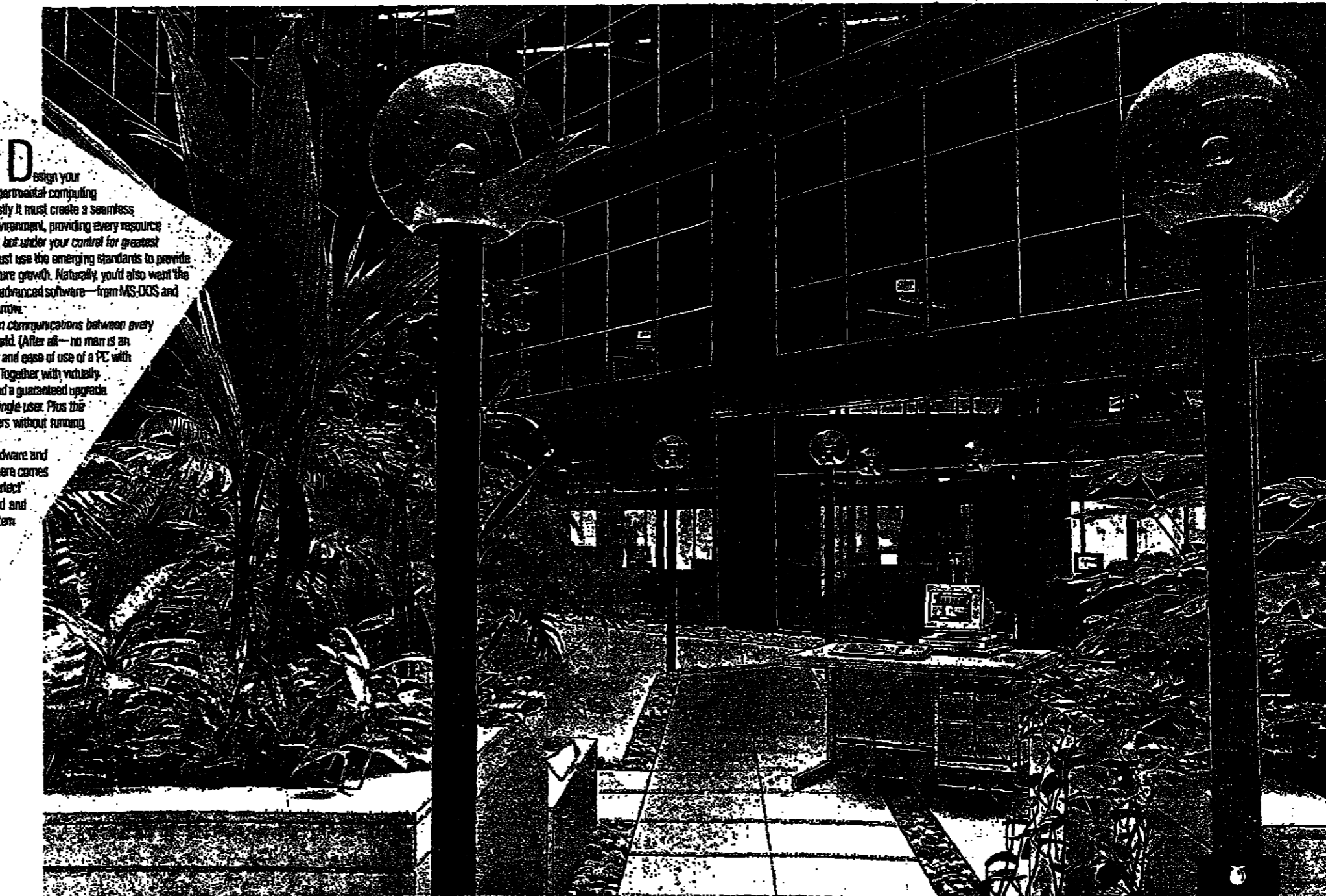
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### DEPARTMENTAL COMPUTING



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## UK NEWS

## Vauxhall chief leaves after revival in sales

BY JOHN GRIFFITHS

MR JOHN BAGSHAW, the 62-year-old Australian widely credited as the driving force behind Vauxhall's sales revival in the UK since the early 1980s, has left the chairmanship of the General Motors subsidiary.

Mr Bagshaw has returned to his native Australia to become managing director of Holden, GM's Australian subsidiary, after the retirement of the previous managing director.

His successor as Vauxhall's chairman and managing director is Mr Paul Tosh, 47, who has been chief executive of the general manager of GM's Bedford commercial vehicles division since January of last year.

Mr Tosh, who will also continue, at least temporarily, to be in charge of Bedford pending the expected completion of the purchase of its subsidiary, Bedford Truck Operations by Mr David Brown's All Wheel Drive group of vehicle production companies based in north-east England.

Bedford Truck Operations was placed into IBG, a new joint company with Isuzu of Japan, in September.

Bedford said yesterday that details of the truck operations sale were still being finalised, with completion possible in two to three weeks. The Department of Trade and Industry announced yesterday that it had agreed to the sale.

Mr Bagshaw, who assumed the chairmanship of Vauxhall in February last year, had already left for Australia, the company disclosed yesterday. A general figure, happy to be known by his nickname of Bags, Mr Bagshaw was known to have been keen to return eventually to Australia.

His uninterrupted career with GM began with Holden in 1948. His first involvement with Vauxhall was as marketing manager in 1961 and director of car operations the following year.



John Bagshaw, returning to Australia.

Prior to taking the top job at Vauxhall, Mr Bagshaw had a spell as executive director of sales, service and parts for GM's European car operations based at Adam Opel in West Germany.

Although there had been little prior indication that Mr Bagshaw's departure was imminent, Vauxhall was at pains yesterday to emphasise that there were no adverse connotations to the move.

Although Vauxhall's market share has fallen to just more than 14 per cent this year, after a peak of 16.5 per cent in 1985, Mr Bagshaw had previously made clear that he was ready to sacrifice sales in pursuit of the profitability that had previously eluded Vauxhall.

Mr Bagshaw forecast only last month that Vauxhall would move from a £21.7m net loss in 1986 to a "solid" operating profit, and possibly a net profit, in the current financial year following progress in a cost-reduction programme - now about halfway through - aimed at cutting costs by 25 per cent over three years and staying clear of price wars.

## Consortium formed to build prisons

By Andrew Taylor

MIDLAND BANK and Tarmac, one of the UK's biggest contractors, have combined to form a consortium to design and build prisons which the company says could be financed privately if the Government wanted.

The consortium, includes RMJM, architects; Oscar Faber Partnership, structural, civil and building engineers; Wildwell and Trollope, quantity surveyors and Group 4 Securitas, the security company.

In September, John Mowlem and Sir Robert McAlpine, two other leading construction groups, announced a joint venture to investigate the possibility of privately financing, building and running prisons in Britain.

Tarmac said yesterday its plans would not involve the consortium in running prisons although it might provide ancillary services such as prison catering.

It said the consortium would offer its services to help to raise private finance for prison building. It would also build and provide services for prisons financed conventionally through the public sector.

The ability to offer a complete design-and-build package, whether financed privately or publicly, would improve the speed and efficiency of construction and reduce costs, Tarmac said.

It would require the Home Office to hand over the organisation and administration of projects to the private sector, which had more experience of construction management and modern construction methods.

Tarmac is completing a £30m category B prison at Garth near Preston. RMJM and Oscar Faber are also involved in the prison building programme, designing and constructing large prisons.

Group 4 Securitas will advise on all aspects of security as well as supplying sophisticated security devices and systems, said the consortium.

## Minister pledges safeguard for dons with unpopular opinions

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

A LEGAL SAFEGUARD to enable academics to express unpopular views without losing their jobs was promised by Lady Hooper, Under-Secretary for Education, yesterday.

She said the safeguard would be contained in the new Education Bill's clauses limiting the career-long job security conventionally granted to many university dons.

Lady Hooper was commenting in the House of Lords on the report of an inquiry into arrangements for maintaining academic freedom in Ruskin College, Oxford, which has strong links with the trade union movement.

The inquiry, headed by Sir Albert Sloman, former vice-chancellor of Essex University, was set up last year after some Ruskin students initiated boycotts.

The college's executive committee and council should approve a "clear and unequivocal statement embodying the principles of academic freedom" and give it wide publicity within the college, particularly by bringing it to the attention of all new entrants.

Ruskin should also provide students and staff with a clear definition of what constituted breaches of discipline, including conduct that was likely to obstruct the holding of lectures, classes and other forms of instruction.

As a last resort, if a dispute between the college authorities and a staff member about academic freedom could not be resolved by internal procedures, there should be provision for an independent review by a person nominated by the Chancellor of Oxford University.

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against Mr David Selbourne, a tutor at the college, because he had written an article for The Times newspaper which was then in dispute with the printing unions.

Mr Selbourne later left the college, alleging that it had breached his employment contract.

Sir Albert's report states that, while pending legal actions prevented the inquiry from closely investigating the incident involving Mr Selbourne, Ruskin needed to tighten up its arrangements for ensuring the freedom of its individual staff members to hold and voice "any point of view, however unpopular, controversial, unconventional or eccentric" that view.

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## New loans rise to £3.2bn as consumer credit accelerates

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN'S consumer credit accelerated in September, with new loans extended through hire purchase agreements and credit cards totalling a record £3.2bn.

The Department of Trade and Industry said yesterday that total outstanding consumer debt, which takes into account any repayments, rose by £400m during the month to stand at £21.8bn. That represented an increase of 14.5 per cent since the start of this year.

The latest figures suggest that consumer borrowing patterns are little influenced by small rises in interest rates. In August, the Government raised base lending rates from 9 to 10 per cent, but that appears to have done nothing to dampen demand for credit.

During the three months to September, which gives a clearer picture of the underlying trend, the total of new borrowing was 8 per cent higher than in the previous three months.

The apparently unstoppable rise in borrowing has been a cause for concern to the Bank of England because of the possibility that an increasing number of individuals may overstretch themselves and because of the wider implications for control of the money supply.

Sharp falls in world stock markets over the past few weeks, however, mean that the pace of credit expansion will have only a muted impact on the authorities' interest-rate policy in the immediate future. Interest rates have been reduced twice over the past two weeks and further reductions are expected unless financial markets stabilise.

In separate figures yesterday the department confirmed that retail sales volume fell during September, but the underlying trend remained upwards. During the latest three months the volume of sales was more than 2.5 per cent higher than during the previous three months.

The club, sponsored by Ernst and Whinney, the accountants, says that the growth rate of Britain's output, as measured by gross domestic product, will be reduced only by 0.2 percentage points in 1988 after the 30 per cent fall in 1987. It therefore still expects output to rise by about 2 per cent next year.

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## Shares fall 'will have slight dampening effect'

BY PHILIP STEPHENS

THE STOCK MARKET crash is likely to have only a slight dampening effect on Britain's growth rate next year, although it will damage the outlook for the balance of payments, according to a group of independent economists.

The Item Club of independent forecasters said in a review of the crash that pessimists over the outlook may be failing to take into account the beneficial impact of the share price fall on inflation and interest rates.

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## Lawson hopes to see deal on US budget agreed this month

BY MALCOLM RUTHERFORD

MR NIGEL LAWSON, the Chancellor of the Exchequer, hopes that the US Administration can have a package of measures to reduce the US budget deficit that it can put to Congress by November 15. A meeting of the Group of Seven, the world's major industrial democracies, might follow within seven days of the package being approved.

The G-7 meeting would be designed essentially to review and update the Louvre agreement of February which was intended to introduce a period of exchange rate stability.

The Chancellor said in an interview with the Financial Times yesterday that he believed that the reason for the February accord still obtaining was that it was primarily to stop the wild gyrations of the dollar on the foreign exchange markets. However, "a very clear commitment of the US to the principles of the agreement was a 'sine qua non' of its reaffirmation."

Mr Lawson declined to comment on what he described as "exchange rate should be in advance of a G-7 meeting."

He made clear that there were two main parties involved in current arguments: the Germans and the Americans. He said he believed Mr James Baker, the US Treasury Secretary, was trying very hard to achieve the package and appreciated the international dimension of the problem in a way that not all Americans do.

The Chancellor added that his strictures on the US in his Mansion House speech were not aimed at the US Administration, and certainly not at President Reagan, but at the US Congress and the US political process in general. He thought there was no particular divide between the US Federal Reserve and the US Treasury, but that with the recent departure of Paul Volcker as chairman of the Fed it was inevitably Mr Baker who was in the driving seat.

It was essential that any US package should include some "as element" if only as a deterrent to how seriously the problem was being taken. "It was also important that the effects of the package should extend well into a second year and have a long-reaching structural impact."

Since the current US fiscal year started on October 1, it was bound to be what was planned for the second year that mattered. The US had, in any case, done quite well in reducing the budget deficit in 1987. It was what came next that was causing concern.

In West Germany Mr Lawson said he believed the Bundesbank was divided over monetary policy. One section thought that policy should be governed solely by what was happening in the external world which had been expanding very fast. That was why there had been a tendency to raise short-term interest rates, which Mr Baker had criticised.

Another section believed that wider considerations should also be taken into account, including the need to maintain a stable exchange rate.

Mr Lawson said he was not convinced that full membership would give Britain greater influence over the "policy" of the Bundesbank. He wondered out loud how the Bundesbank could be influenced but added that it would be an attraction if it did. The influence could come from Britain.

Mr Lawson then said that the "greater, stronger case" for joining the EMS was the same as the case for the British Medium Term Financial Strategy.

so be taken into account, including exchange rates.

Dr Gerhard Stoltenberg, the West German Finance Minister, was allied with the latter view and Mr Lawson left no doubt that he himself was close to Dr Stoltenberg.

The Chancellor said the first half-point cut in British interest rates after the stock market fall last month, had been decided upon for wholly domestic reasons. The second, announced last week, was determined after consultation with his international partners; but Mr Lawson said that he would have gone ahead in any case.

Further decisions on interest rates will be taken as and when appropriate, but Mr Lawson said that interest rate cuts could be part of the G-7 package if it comes.

Going back to the Louvre Agreement, the Chancellor said that it was a "sine qua non" of its reaffirmation.

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OMTS when it was first set out shortly after Mrs Thatcher became Prime Minister and Mr Lawson was Financial Secretary at the Treasury.

The Chancellor expressed little doubt, however, that the pound could be held at the present level of around DM 3, despite the differential between British and West German inflation. It had stayed at that level since the budget in March and there were two reasons why it was desirable that it should go on doing so.

One was that it provided a "useful anti-inflationary discipline" for the domestic economy. The other was that it would help to know where they stood. Citing a recent CBI survey, he said that business was now more interested in stable exchange rates than in interest rates.

Asked what would happen if the Americans failed to give a firm commitment to use the exchange rate in domestic policy, Mr Lawson argued that Britain could live with it. "We did live with it for years - huge sterling-dollar fluctuations. The Japanese had adjusted to big swings as well, but the Germans had more problems. However, it would still be better for everyone if a breakdown could be avoided."

It was too early to say what effect the stock market fall and the dollar weakness would have on third world debt, but the Chancellor noted that Britain had the biggest dollar debt of all - had been moving closer to a deal with the International Monetary Fund.

On domestic policy Mr Lawson noted that he had said he would react to any threat of recession by significantly increasing the public sector borrowing requirement. There would be "flexibility", he said, but he would be "reluctant indeed" to see borrowing rise above the one per cent of gross domestic product set down in the MTF and reaffirmed in last year's Budget Statement. Current borrowing is estimated at one-quarter per cent of GDP.

As for the fate of the BP issue, which was caught up in the stock market fall, the Chancellor said that there was due to be a breathing space in the series of privatisations in any case. He had always planned to take "stock of the exercise, tap the brains of advisers and examine the lessons of the privatisation programme to date."

Mr Lawson added, however, that he would be wary of admitting something like clause eight in the BP contract with the underwriters again. That was the clause that enabled the underwriters to appeal to the Bank of England on the grounds that market conditions had materially changed.

The Chancellor said that he had no worries that the target of £5bn a year proceeds from privatisation would fail to be met. There were no immediate future candidates, but if something new came up like steel he would not stand in the way.

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## UK NEWS

## Receivers called into Scottish electronics plant

BY JAMES SUTTON, SCOTTISH CORRESPONDENT

SCOTLAND'S electronics industry suffered a setback yesterday when receivers were appointed at Integrated Power Semiconductors, a US-run company which was financed with UK venture capital finance.

The Bank of Scotland yesterday appointed two joint receivers from Cork Gully, the firm of chartered accountants, after institutional investors led by 3i decided to put no more money into the company.

Some 16 investors had put about £20m in four tranches into IPS since it was set up in 1984.

However, the company, which employs 150 people at Livingston, West Lothian, suffered heavily from the downturn in the semi-conductor industry of the past two years and is understood to have been trading at levels well short of its budget.

Mr David Wood, sales and marketing director at IPS, said an attempt to put together a £3m bridging loan was close to being concluded shortly before last month's Stock Exchange crash.

However, the crash caused investors to change their minds.

IPS was founded by a group of executives from US corporations in Silicon Valley, California, to manufacture semi-conductors that were said to break new ground by combining power control and logic on the same chip.

Although the principal market was the US, Scotland was chosen as the manufacturing base in order to avoid the European Community's levy on sales to EC countries.

At the time, IPS was thought to be the biggest UK start-up to be financed by venture capital. It has so far absorbed about £20m, of which 3i put in £4.75m and the Scottish Development Agency £2m.

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It is understood that the investors had been trying for some months to find an industrial corporation prepared to back IPS, but had had no success.

The investors are believed to have felt that bridging finance could not be justified because it would not solve the company's medium-term problems.

Yesterday Mr Frank Blin, one of the two receivers, said: "We will be exploring every avenue for sale as a going concern, while looking at the viability of ongoing trading in the short term."

The SDA said it would do what it could to examine alternatives and preserve jobs. "If we didn't undertake risks we'd never get anywhere," it said.

## Changes in sea law on ferry safety called for

Financial Times Reporter

MR PAUL CHANNON, Transport Secretary, today called on the International Maritime Organisation to support British measures aimed at improving safety on passenger ships after the Zeebrugge disaster.

In a speech to the IMO Assembly at its London headquarters, Mr Channon urged members to support specific ferry safety measures that Lord Brackley, Minister for Shipping, will put to the Assembly on Wednesday.

"I am personally determined that the lessons learned from this disaster must be used to set new safety standards for passenger ships, particularly roll-on roll-off ferries," Mr Channon said.

The UK is proposing that a meeting of the organisation's maritime safety committee, scheduled for next April, should be extended by two days to permit the adoption of new legislation.

The Minister said that in addition to changes in equipment, the Government was introducing regulations dealing with the operation and running of a ship, including laying down comprehensively for the first time what a ship's standing orders must cover.

"We shall require hearing aid systems to ensure strict control of passenger numbers and ferry companies to appoint a designated person ashore to deal with questions of operational safety," he said.

The UK is also proposing that the organisation's maritime safety committee, scheduled for next April, should be extended by two days to permit the adoption of new legislation.

## Iveco Ford relegated to second place in 10-month truck sales

BY JOHN GRIFFITHS

THE RIVALRY for UK truck market leadership between Leyland Daf and Iveco Ford has increased to a level greater than at any time since the two groups were formed.

Iveco Ford's claim in June, immediately after Leyland Trucks' merger with Daf, that it would be the market leader in 1987 suffered a setback last month.

Statistics from the Society of Motor Manufacturers and Traders show that Iveco Ford's registrations of trucks over 3.5 tonnes during October, at 845, were nearly 300 down on the 1,125 of Leyland Daf.

The drop was sufficient to relegate Iveco Ford to second place for the first 10 months as a whole, although the gap was a mere 14 registrations. Leyland

Daf's totalled 11,059 compared with 11,045 for Iveco Ford.

However, Iveco Ford can claim a faster growth rate. Registrations were up by 24.97 per cent in the first 10 months compared with the same period a year ago. That compares with a 4.5 per cent increase for Leyland Daf. The comparison can be made only by adding Daf's sales to those of Leyland Trucks as separate entities last year.

Mercedes remained unchanged for third place with 7,187 units registered in the first 10 months, an increase of 1.83 per cent, although its October registrations were down by nearly 14 per cent to 872.

The performance of Mercedes has been a key factor in the further market penetration by im-

porters in the first 10 months to 41.98 per cent from 39.41 a year ago.

Total truck registrations in the first 10 months reached 49,114, up 5.6 per cent on a year ago.

Registrations of car-derived vans and micro-vans fell slightly last month to 8,694 (8,815), bringing the 10-month total to 88,650 (85,427). Those of medium vans were almost unchanged at 10,492 (10,506), with IBC, the joint company set up in September by General Motors and Isuzu of Japan to take over Bedford's van production, blaming supply shortages for a drop in October registrations to 538, compared with 596 in the same month a year ago.

## Gas blast was 'unique disaster'

FINANCIAL TIMES REPORTER

THE DESIGNERS, builders and owners of Abbotsford pumping station in Lancashire yesterday said they were to blame for the explosion at the station in May 1984, in which 16 people died and 28 others were seriously injured.

The methane gas explosion that wrecked the station's valve house was a "unique disaster" which took the water industry and consulting engineers completely by surprise, said Mr David Gardam, QC, for Binnie and Partners, the civil engineers that designed the station.

Binnie and Partners, the North West Water Authority

and Edmund Nuttall, builders of the 268m water distribution scheme, are all appealing against Mr Justice Rose's decision at Lancaster High Court in March that they were to blame for the disaster.

The judge held that Binnie and Partners were primarily responsible and must accept 55 per cent of the blame, while the water authority was 30 per cent responsible and Edmund Nuttall bore 15 per cent of responsibility.

The injured and dead were among a party of villagers invited to visit Abbotsford.

If the appeal succeeds, the 31 survivors and relatives of the

victims, who have already been awarded £3,500 interim damages, will be barred from claiming further damages, expected to exceed £2m, unless negligence is established by at least one of the three appellants.

Mr Justice Rose held that failure at the design and construction stage, negligence in appreciating the methane danger and a decision not to change the valve house design were the main causes of the explosion.

Yesterday, Mr Gardam told the appeal judges: "The evidence is sufficient to show that Binnie and Partners are not liable."

## Growth in home phone sales 'from extra extensions'

BY DAVID THOMAS

UP TO A quarter of homes in some regions do not have a telephone. As a result, growth in home telephone sales may come from existing subscribers acquiring an extra line or more extensions, according to a report by Mintel, the research consultancy.

The report, based on a survey of 1,500 people by British Market Research Bureau, found that only 14 per cent of homes nationwide were without a phone, but that figure rose to a quarter in Scotland and Wales. In the south-east, by contrast, it was only 7 per cent.

Mintel argues that more domestic phone sales could come from persuading people working at home to take a second line. The report says the West German Bundespost has been successful in doing that.

The survey disclosed considerable interest among domestic customers in the new right to carry out the do-it-yourself installation of extension phones.

The report argues that telephone purchases by businesses will fall from this level

year to below 1m by the end of the decade, as many businesses complete the modernisation of their telecommunications.

Mintel expects the recent trend of steeply falling prices for telephones to continue, with particularly marked price decreases for more sophisticated products such as cordless and hands-free phones.

It predicts that sales of telephone answering machines will more than double from 350,000 in 1987 to 700,000 in 1991 as average prices for the machines tumble.

The report, which also covers private exchanges, mobile communications and telephone services, suggests that some claims about the impact of telecommunications liberalisation have been exaggerated. It argues, for instance, that the UK manufacturing industry's grip on the private exchange market has not been seriously weakened by greater competition.

Telecommunications, Mintel, Rose House, 7 Alderney Street, London WC2R 3DR, £1.10.

## North Sea drilling work 'may return to 1985 level'

BY MAURICE SAMUELSON

NORTH SEA drilling activity may return to the peak levels of 1985 next year, says a study of the oil industry by leading institutions by Petrodata, the Aberdeen-based oil industry analysts.

This is the second report in a week to break with the gloomy outlook of most industry forecasters.

According to Petrodata, North Sea rig demand next year will be at least 40 per cent higher than this year and rising demand for both semi-submersible and "jack-up" rigs will stretch available supply in the spring and summer season.

Assuming there is no big shift in the economics of exploration and production, the report ex-

pects drilling activity to approach the peak levels of 1985.

In the UK sector, deep-water mobile drilling rig activity should rise by up to 50 per cent compared with the average anticipated this year.

Overall growth for the North Sea would be slowed by only small increases in Norway and Denmark, but faster recovery is expected in the Netherlands.

Wood Mackenzie, the Edinburgh-based stockbroker, in its annual survey, said last week that drilling activity should return to peak levels by 1993, but that in spite of the improvement in activity, the industry was likely to be affected by excess capacity into the 1990s.

## Laura Ashley Welsh plan

BY ANTHONY MORETON, WELSH CORRESPONDENT

LAURA ASHLEY is expanding its mail-order business in Newtown, mid-Wales, in the next two years and will move into a factory six times as large as its present premises.

The international textiles-garments business will add 80 people to its workforce.

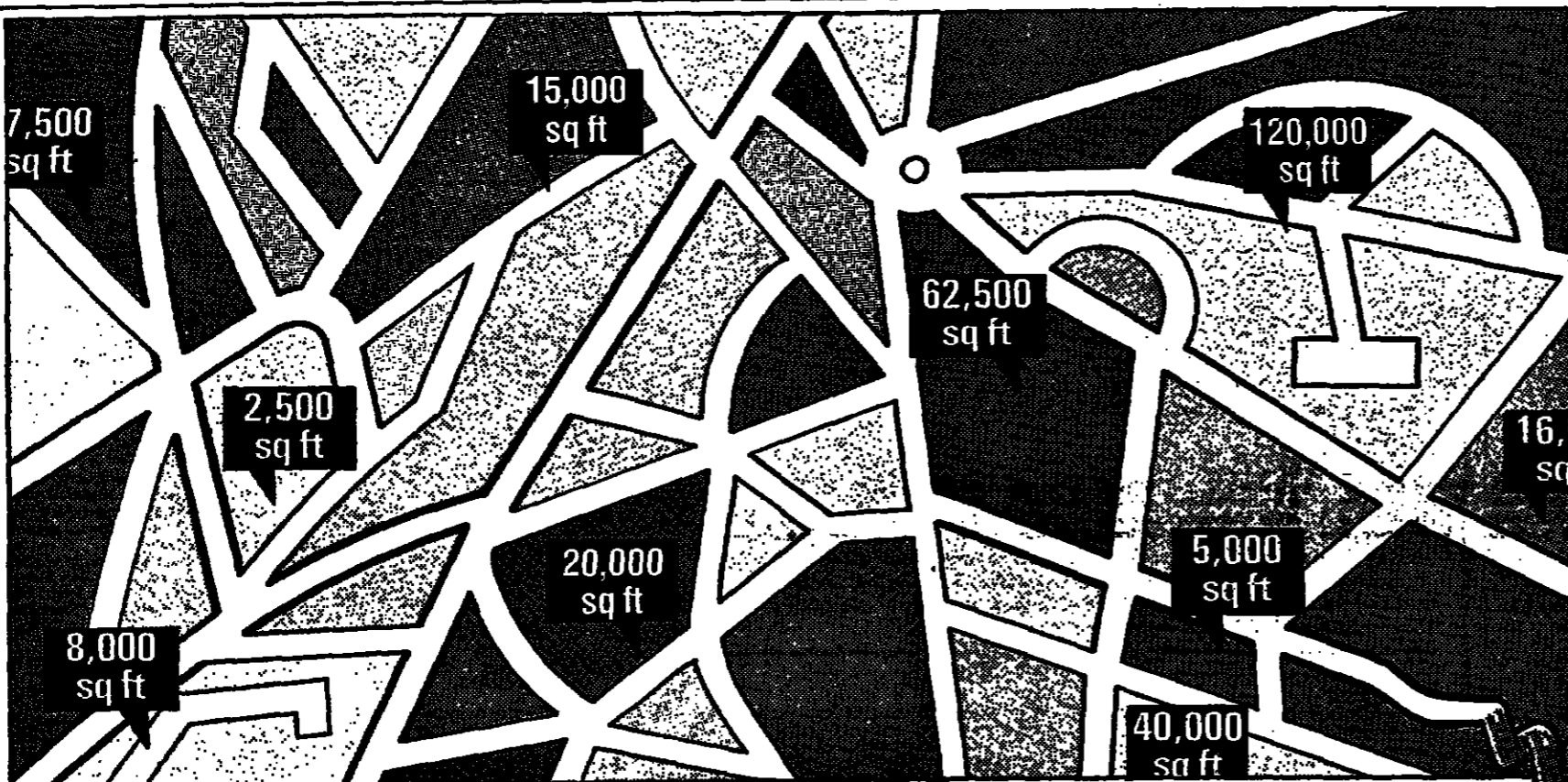
More than 100 additional jobs will be created by three other expansions in mid-Wales, announced in Cardiff yesterday by Mr Leslie Morgan, chairman of Mid-Wales Development, the quango charged with regenerating the area.

Mid-Wales Yarns is to spend £1m on boosting carpet-yarn output at Llanfardd, Wellingborough, taking a further

factory in Bala to expand production of Victorian-style lingerie; and Llocwyn, which manufactures specialised storage and retrieval systems, is moving from Havant, near Portsmouth, to Newtown.

Mr Morgan said the corporation had helped to create more than 1,000 jobs in the first half of this year, "particularly gratifying because we were set up in 1977 to help stem rural depopulation. You cannot do this without creating jobs for people in this very rural part of Wales."

He reported that mid-Wales was now letting 7,250 sq ft of factory space a week, more than a third higher than a year ago.



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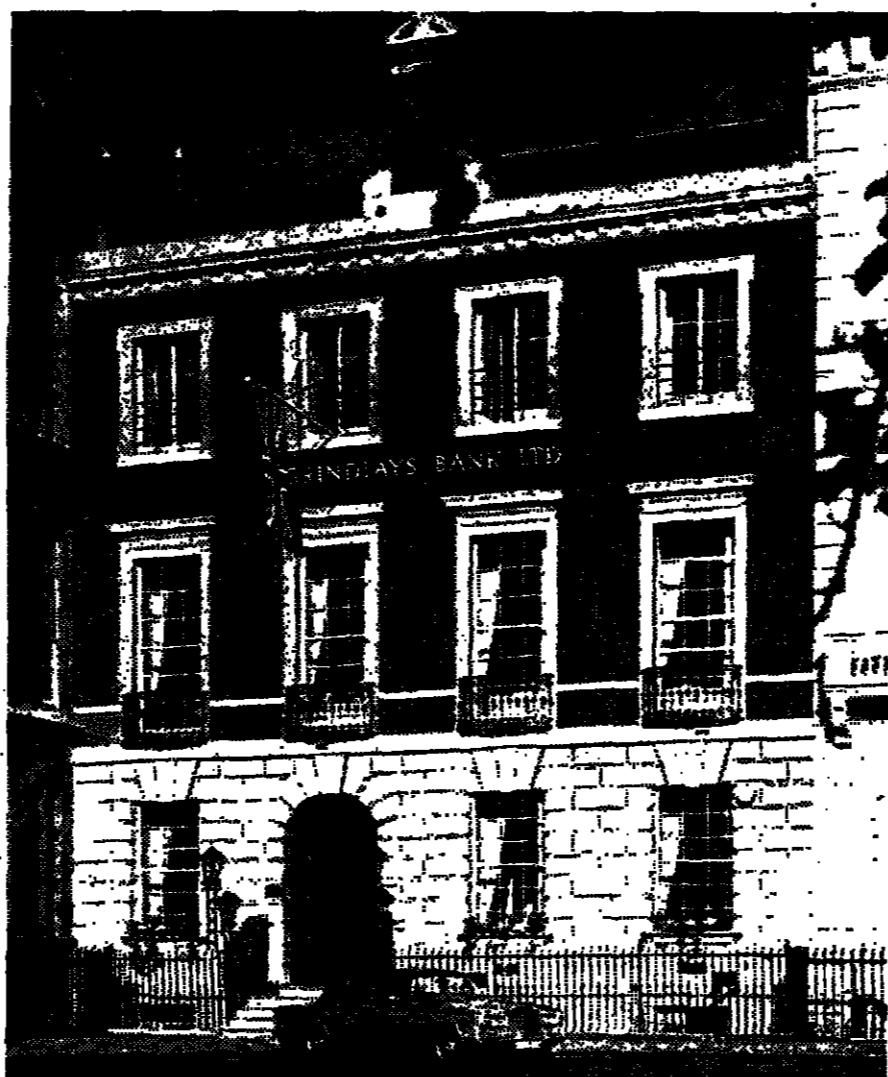
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## UK NEWS - PARLIAMENT and POLITICS

## King looks to final assault on terrorism

BY IVOR OWEN

SO WIDESPREAD has been the horror and revulsion caused by the massacre at the Enniskillen memorial on Sunday that it will be "hugely counter-productive" and may create the platform from which a final assault can be made against the evil of terrorism, Mr Tom King, the Northern Ireland Secretary, told the Commons yesterday.

While there was universal condemnation of what he described as an "appalling outrage" and repeated pleas that there should be no retaliatory action, many Ulster Unionist MPs insisted that expressions of sympathy were not enough and pressed for tougher security measures.

Mr James Kilfedder (UUP, North Down) called for "total, all-out war against the Provisional IRA", starting with a proclamation of martial law, a return to internment without trial, and the introduction of identity cards linked to a single computer able to register the address of all citizens.

Mr King promised to consider all the views expressed, but stressed that leaders of the Royal Ulster Constabulary were still opposed to the reintroduction of capital punishment for terrorist offences and rejected criticism of the Anglo-Irish agreement.

He emphasised that if anyone was suggesting that the efforts of the security forces in combating terrorism would be promoted by acting alone and not in co-operation with the authorities in the Irish Republic "I could not possibly disagree more".

Mr Kevin McNamara, a Labour spokesman on Northern Ireland, said the reaction to the horrific massacre at Enniskillen should be one of "cold fury" and a determination to support the forces of law and order in their efforts to bring those responsible to justice.

He said the outrage "gave the lie" to any suggestion that it was possible in a democracy to flirt with those who supported the policy of the bullet and the ballot box.

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He said: "They want action to put this violence down, so they might live in peace and get on with the ordinary aspects of everyday life."

Mr Ken Maginnis (UUP, Fermanagh and South Tyrone), who said the 11 deaths at Enniskillen brought the total death toll from terrorist attacks in his constituency to 194, accused Mr King of reciting platitudes which were "a total letdown for my suffering people".

Renewing the attack on the Anglo-Irish agreement, he protested: "All we have been offered is a further abdication of responsibility by the Northern Ireland Office and by this Government to the Government of a foreign state."

He claimed that people living close to the border realised that any co-operation received from the Irish Republic was a "bonus" and was not the basis for proper security which rested with the British Government.

Mr James McNamara, leader of the Ulster Unionists, also maintained that the time for the platitudes voiced over the last years had now expired and urged the implementation of decisions which would deprive the terrorists of the hope and expectation of achieving their objectives.

The Anglo-Irish agreement had given them such hope and its "disastrous and fatal message" should now be reversed.

Mr Peter Robinson (DUP, Belfast East) spoke of the widely-held view in Northern Ireland that the Government had retreated from tougher security measures because it feared that the result might be to drive the nationalists further towards the IRA.

After the Enniskillen massacre, he said, the Government should have realised that the IRA believed that the more they resorted to violence the more concessions would be gained.

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James Kilfedder: urged all-out war against IRA



Ken Maginnis: 'total letdown for my suffering people'



Tom King: condemned an 'appalling outrage'

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John Prescott: electricity sector to be 'fettered'

Mr Prescott, Labour's energy spokesman, based his charge on a letter sent by Mr Parkinson to Tory backbenchers and intended to counter-attack criticism by both industry and the Opposition of the 5 per cent-4 per cent price increase from next April.

Mr Prescott said the Government had blamed the industry's investment programme for the price increase, though it had put aside £1bn in the current financial year for depreciation

which was supposed to fund replacement of assets.

He said three different figures had been given for the investment programme - £40bn (in the Commons a week ago), £45bn (in the letter to Tory MPs) and £20bn (in a meeting between the Central Electricity Generating Board and the Electricity Consumers' Council).

Mr Prescott said the rises were "a fattening exercise before privatisation" and would "cause hardship for millions and will cost millions to industry".

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## Licensing law reform opponents in protest

BY TOM LYNCH

OPPOSITION OF the bill to reform licensing hours in England and Wales, protested angrily last night, as the Government was relaxing drinking hours without taking action against alcohol abuse, especially by drivers and young people.

In an angry speech, Sir Bernard Braine (C, Castle Point), a former chairman of the National Council on Alcoholism, said he would rebel against the Licensing Bill on its second reading last night unless the Government pledged strong action on under-age drinking.

Mr Roy Hattersley, the shadow Home Secretary, also attacked the lack of compensating measures against alcohol abuse, and urged MPs to vote against the bill.

Mr Hattersley stressed he was expressing a personal view, since Labour MPs had a free vote on the bill, whereas Government whips were demanding Conservative support because the measure was part of the party election manifesto.

However, Mr Douglas Hurd, the Home Secretary, said the current law - obliging pubs to close between 11pm and 5.30am - was a historical anomaly. The bill, which would end compulsory closing except on Sundays, was "common sense" and would generate "significant additional employment".

The British Tourist Authority had estimated 50,000 extra part-time jobs.

Mr Hattersley's contention that the bill would be "a disaster" was amended in committee in such a way as to include Sundays.

Mr Hattersley argued that the passage of the bill would render inevitable the extension of afternoon opening to Sundays.

He supported the principle of more flexible licensing laws, but opposed the bill because it would create extra opportunities for individuals to drink without including safeguards for society as a whole.

In particular, he urged tighter controls on television advertising of alcohol, which he said too often linked drink with social and economic success. He called for measures to reduce alcohol-related crime and drink driving, and to guard against under-age drinking.

Mr Hattersley and other critics attacked ministers for bringing the bill forward when a common-sense approach by the Government two months ago to study alcohol abuse had not delivered its first report. He said any legislation should embrace both licensing hours and measures to combat drink abuse.

Sir Bernard joined Mr Hattersley in arguing that the Scottish evidence was contradictory and in accusing ministers of bowing to pressure from the brewing industry. He argued that the reform of opening hours in 1981 had led to an "appalling state of affairs". Consumption had doubled, drink was linked to a variety of social evils.

A poll by Public Attitude Surveys showed 64 per cent of adults who visit a pub or club for a drink at least once a week favoured afternoon opening and 55 per cent wanted Sunday afternoon opening.

Those who did not visit a pub regularly were also in favour of extended opening hours with 51 per cent supporting afternoon opening and at least some days of the week and 45 per cent in favour of Sunday opening.

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A poll by Public Att

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## MANAGEMENT: Small Business

# Where prosperity exacted a price in Campobasso

John Wyles on the training challenge facing an Italian company

THE SEVEN-STORY tower looms over a modest industrial estate outside a little-known town in southern Italy. At first sight a touch too majestic to be associated with a small business.

But the modesty of the surroundings and the anonymity of Campobasso are a more appropriate setting for Mangimificio Molisano, a thriving example of the hundreds of thousands of small and medium-sized businesses which drive the Italian economy.

In fact, the concrete citadel is a clue to the activity of this relatively young family company with very mature ambitions. MM, for brevity, manufactures animal feeds in a system which passes raw materials through a lofty and lengthy network of machinery. The finished product emerges as pellets of various sizes and hues and their cost and efficiency is a major factor determining the prosperity, or lack of it, of more than 1,000 livestock producers who buy from MM.

MM's products are more often than not the nucleus for a feed mixture assembled by the pig or rabbit breeder, cattle herder or poultry farmer, and the user will frequently want advice on what mixture to feed. The unassuming offices alongside the manufacturing plant are therefore as much a consultancy as an administrative centre.

"It is important that customers should feel able to come and talk about their problems and to see if we can help. Obviously it is extremely useful for us, for we can learn very quickly if a particular feed is giving the desired results," says Giovanni Fiorilli, MM's 45-year-old managing director.

A quietly-drawn, bespectacled accountant, he prides himself on leading a company bound together by ties of loyalty and affection. There are two other Fiorillis in the business, both cousins of his, one working as company accountant and the other as one of its veterinarians. The latter function is particularly important in both pushing forward product development and managing the relationship with clients.

The technological component in animal feed manufacturing can be easily underestimated. When Fiorilli set up the company in 1974, one of the first things he did was to equip a laboratory.

Quality control can only be as



sured by analysing the quality of the various inputs: feed grains, soya and some meats - and also by monitoring the finished product.

Maintaining the function, however, is a problem. The region of Molise has emerged as one of the most prosperous in the Mezzogiorno; nonetheless, its small entrepreneurs have the same difficulty in finding suitably trained technicians as their counterparts in Campania, Apulia and elsewhere in the south.

"Some people say that the schools are the problem. I don't think so. It is much more a question of weakness in higher education. We have spent a lot of money training our people, or otherwise we could not have done business," says Fiorilli.

MM remains, nonetheless, a small employer; its production operation is massively automated and two technicians can control the entire process.

When it opened its doors in 1977, the company employed 18 people as against a current payroll of 28. Production, however, has steadily increased from 200,000 quintals of animal feed in 1980 to 380,000 last year. Fiorilli says that he will reach 700,000 quintals "in two to three years".

All of which is a long way from the family flour mill business which he entered 20-odd years ago after qualifying as an accountant. In a fairly common story of generational change in a small business, youth, represented by Giovanni Fiorilli, saw the limitations of the existing business and the need for diversification.

He also identified, quite correctly, the absence in Molise of

animal feed suppliers. The family was granted the region's first licence to produce animal feed in 1963 and, after a decade learning about the market, it then decided to build a purpose-designed plant.

Technical expertise was provided by Lino Tofi, a specialist engineer, who is now president of the board and a minority shareholder, but not involved in full-time management.

Financing came from the now-defunct Cassa di Mezzogiorno which provided 40 per cent of the initial L2bn (£20.9m) investment as a grant and around 30 per cent as a cheap loan.

But whatever the virtues of this state development agency, efficient administration was apparently not one of them. The Fiorillis pressed ahead with their construction, once assured of the financing, only to spend two-and-a-half anxious and difficult years waiting for the money to arrive. "We had to go to the banks at a time when interest rates were astronomical," says Fiorilli, still wincing at the memory.

Not surprisingly for an accountant, Fiorilli lays great stress on the importance of cost controls to keep his business sound.

The livestock producers of the Molise are by no means insulated from foreign competition and the low-cost output from the Netherlands, for example, is a constant source of pressure to keep MM's selling prices down. Giovanni says that margins are therefore usually low, although MM had a very good 1986, thanks to a fall in raw material prices.

Turnover rose by 21.8 per cent to L2,948bn (£55.5m), while gross profits more than doubled to L1,617bn (£735,000).

But building a good relationship with the customers also involves what some may see as generous credit arrangements. While MM has a 30-day payment period with its suppliers, it allows its clients up to 60 days. Its 1986 accounts showed an increase in customer credit from L3,688bn to L4,383bn, a rise only partly reflecting the increase in turnover.

"Of course, we have to make sure that customers pay, but we have close relationships with them and we help them when the going is difficult," says Fiorilli.

Nevertheless, financing a



Giovanni Fiorilli: open mind on family succession

small business in Italy, once the generous start-up grants have been absorbed, is not cheap.

While Fiat and other giant corporations negotiate their own rates with the big banks, small businesses pay a premium of 3 to 4 percentage points more. But, again, being part of a local infrastructure is important, and MM apparently has a fruitful and understanding relationship with the local bank in Campobasso.

One advantage the small business can enjoy in the shadow of the giant corporation is the absence of trade unions. Fiorilli sees no need for them in his company. He applies the national agreement for the general food industry which means that his top-paid workers take home around L1.5m-L1.7m, a month - a wage, it must be remembered, which is paid for 14 months in line with general Italian industrial practice.

Though only 48, Giovanni is already giving some thought to the eternal family business problem of managerial succession. He has an open mind in the sense that he will not require his two daughters and son to follow him. Moreover, he says the guiding principle must be "the person in charge is the most able in the company".

He is also aware that there may come a time when MM, already a product of diversification, must again diversify in order to keep growing. He has no idea yet of the new path to be pursued and talks vaguely of "advanced agriculture", not at all deterred by current production excesses in the European Community.

He is adamant that there is no secret to understanding the success of small businesses in Italy. They simply do the basic things well. But they also draw great strength from the strong regional identity of their people.

## Government purchasing proposal

BY CHARLES HATCHER

GOVERNMENT departments in the UK are being encouraged to buy more goods and services from small firms. John Cope, small business minister at the Department of Employment, urged senior purchasing officials at a seminar last week to make a special effort to include small firms in their buying plans.

Cope was at pains to point out that while small firms would benefit from a more accommodating purchasing policy on the part of government, this initiative was part of a programme to get value for money for the taxpayer.

It was ordinary commercial prudence not to depend on a single supplier for a particular item, he noted, and competition among suppliers would lead to improvements in prices, delivery and quality for government departments.

An advantage of using small suppliers was that their lines of communication were short so they were responsive to customers and resourceful in solving problems.

"With a small firm you are much less likely to find that the despatch department didn't realise the order was urgent, because the people who despatch it are the same as the people who make it," he said.

Small firms do, however, face difficulties in trying to sell to government departments. They do not have specialist staff combing Whitehall for opportunities and government departments can look very inhibiting from the outside.

A small business might have difficulty tracking down the purchasing officer of a particular department from the "often opaque entries in the telephone books." Many assume, wrongly, incorrectly that all purchasing is arranged centrally on a huge scale and they are unwilling to go to the expense of putting in a speculative tender if the chances are so much chance of getting the order.

The government does not want to adopt the US practice of requiring departments to make a certain percentage of their purchases from small firms, but it does want to give them equal access to government contracts. Cope said. It is willing to help by putting local purchasing officials in touch with local suppliers through its regional enterprise units.

## Regional support

# Need for stronger network

Ian Hamilton Fazey on a proposal to improve survival rates

THE CRUCIAL nature of professional support for small business has been emphasised in new research conducted by the Manchester and Liverpool offices of Investors in Industry (3i), the development capital provider owned by the Bank of England and the main clearers.

They have looked closely at the performance of smaller and medium-sized companies in the north-west - including the reasons why some succeed and others fail - and have come up with a special approach to help more of them succeed further.

The conclusion reached by 3i is that there is a need for an even stronger network of support than exists at present to help businesses survive and grow. It is setting one up in the north-west, sponsored by its Manchester office, to encourage and build upon what Peter Forth, the local 3i director, says is a strong regional climate of enterprise.

In the first half of the 1980s the region did better for small business start-ups than anywhere in the UK outside the south-east, accounting for 10.2 per cent of the 818,900 start-ups in the period.

This may seem small beer compared with the south-east, which did 38.6 per cent of the total, but the north-west was nearly 12,000 start-ups ahead of the west Midlands, which itself accounted for 8.7 per cent of the total (see table).

Part of the reason why may well be that the north-west has the most comprehensive network of enterprise agencies in the UK, which started there in 1978, the Community of St. Helens Trust, followed the next year by Rossendale.

Within six years it had 27 operating and another nine in formation - or being planned. By contrast the West Midlands had 12 and Yorkshire and Humberside 10 at the time. Even the south-east then had only 17.

The agencies have helped improve the climate in which small businesses start up and operate in the early years and have been particularly good at helping people avoid many pitfalls that could lead to early failure. However, support alone is not enough: the small business starter has to have talent and the right qualities to begin with.

To have any chance of success, 3i's research suggests, the key entrepreneurial skill is an ability to solve problems. This is much more important

than craft skills or the strength and endurance required from, say, factory floor employees. Skilled manual workers or employees in large plants. They are therefore more likely to start their own business.

This also helps explain regional differences. The north-west and west Midlands have larger pools of these sorts of people, in contrast, say, to the north-east, where there has been a generations-long reliance on very large employers.

survival depends on four factors - the age of the business, its size, the breadth of the management team and the spread of the shareholders.

The age of the company is the single most important factor in survival. About 10 per cent of businesses fail within the first 12 months and a further 30 per cent during the next two years. After 10 years, only 40 per cent could be expected still to be trading.

"It would appear from this analysis that efforts put into supporting a new company in its early years will greatly improve

### BUSINESS REGISTRATIONS BY REGION 1980-84

Region	Number reg.	%
South-East	316,100	38.6
North-West	83,200	10.2
West Midlands	71,500	8.7
South-West	69,600	8.5
York & Humber	62,400	7.6
Scotland	53,100	6.5
East Midlands	53,100	6.5
Wales	37,200	4.5
North	31,000	3.8
East Anglia	29,400	3.6
Northern Ireland	12,500	1.5

its chances of success," 3i says. The influence of the breadth of the management team is reflected in the fact that failed businesses tended to average three directors each while the successful companies averaged four. While this reflects size of business it usually also indicates wider experience on the board and the possible involvement of non-executive directors, who bring objective advice.

Similarly, failed companies had an average of 0.8 shareholders, compared with 1.1 for those which succeeded.

Nevertheless, 3i's experience has been that even though they were ultimately successful, about one-third of companies were at one time very close to failure.

At this stage the quality of advisers is crucial. A good understanding of a business by its banks or an individual investment executive has often ensured support and more money in the face of imminent failure. Many businesses treated in this way by 3i have gone on to great success.

It is therefore setting up an experimental network in the north-west to help the most promising young businesses in the region to grow.

Education also counts. People with a degree or professional qualification were best at starting up a business and showed the fastest rates of growth.

These people were also more creditworthy, even though 3i says that it is now much easier to raise capital because of a proliferation of venture capital funds in the last two years.

However, 3i warns that much higher house prices enable people in the south-east to raise larger sums by way of a second mortgage, with further distorting consequences to the start-up league table.

The research suggests that

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## BUILDING CONTRACTS

### Gleeson in £11m projects

**M J GLEESON GROUP** has been awarded 11 contracts totalling almost £11m.

At Livingston, West Lothian, the company is commencing the £3.1m development of a 25-acre site to provide five steel-framed factory units for the Development Corporation.

In the North-East, Gleeson is about to commence the £1.1m repair and insulation of two 14-storey blocks of flats for Newcastle upon Tyne City Council. The group is also building eight factory units, together with drainage and external works, at Boldon Colliery Industrial Estate for South Tyneside Borough Council, worth £501,382, and a single-storey day centre with a connecting link to the EMI Day Hospital for Sunderland Health Authority, at a cost of £235,357.

In Sheffield, the company is to build four two-storey industrial units worth £1.9m for the city council at the Lower Don Valley new employment zone, and is undertaking £509,000 of civil engineering works in connection with a district heating scheme. Work is about to begin too, at Haslington, Lancs, on the construction of sheltered housing worth £1.2m for North British Housing Association.

In the south-east, Gleeson is to undertake the total refurbishment and extension at around £1.6m, of a shopping centre at Epsom for Friends Provident; and is to build in south east London air crew accommodation for the Civil Aviation Administration of China at a cost of £461,000.

A subsidiary, Concrete Repairs, is repairing a quay at Harwich for Sealink, and another at Lowestoft for Associated British Ports - the total cost of the work is almost £100,000.

**HOWLETT'S** £8m contract for basement works at the British Library site has 'bottomed out' two months early. The work, which started in July 1985, has comprised the construction of concrete basement slabs to four levels below ground, operations being carried out by the 'top down' method. Some 125,000 cu metres of London clay were excavated floor by floor, working through access holes left in the concrete slabs. Other operations included the breaking out of temporary columns and removal of Armaco castings and gravel fill surrounding steel columns installed by Howlett under a previous £500,000 contract.

The company has started work on two further contracts at the same site together worth an additional £7m. The largest, worth £5m, is for brickwork and blockwork and involves laying handmade facing bricks which

will form the outer face of the British Library superstructure and also some 5.5m common bricks to provide partitioning and perimeter walls within the basement and superstructure. Work has started for completion, in 1990.

The second contract, worth £2m, is to provide a loading bay and cooling towers for an air-conditioning system together with a link corridor connecting it to the main building. The contract also includes a subterranean water and oil storage tank facility for the air-conditioning system. Work has started for completion in spring 1988. It is for the Property Services Agency under Laing Management Contracting.

The **AGATE GROUP**, Heston, Derbyshire, has orders for new building, civil engineering, major earthworks and quarry reclamation schemes which total over £1.5m.

Ground Aerosols of South Humberside has awarded construction of its £2.48m medical and personal care production facility at Foxhills Industrial Estate, Scunthorpe. Bonar and Flotex has ordered a £1.2m warehouse extension to its premises at Ripley, Derbyshire. Both contracts have commenced for completion by summer 1988. Two further contracts are pending, adding another £1m to the total.

Scheduled for commencement in February is a new tourist and business development at Swanwick, Derbyshire for Mobil Oil. Having a total construction

value of £3.5m, the overall scheme will comprise a 60-bed hotel with restaurant facilities for 200 people adjacent to the main A58, Leeds to Exeter trunk road, in addition to incorporating a petrol filling station, motorists' shop and tourist information centre.

Agate Plant Services has secured a two-year contract at Cleve Hill, Shropshire for a subsidiary of the Consolidated Goldfields Group. Work has started on this £6m quarrying contract.

Contracts worth almost £4m have been awarded to **BUXTON BUILDING CONTRACTORS** for a hotel extension in Surrey, and houses throughout London.

A 24-bedroom extension is to be added to the Ladbroke Lodge hotel at Basingstoke under a contract worth almost £332,000 for Comfort Lodge (UK). The seven-month project includes a conservatory restaurant extension, syndicate rooms and suite.

At Carlton Drive, Putney, work has started on a £1.1m, 65-week contract for 25 flats and communal facilities for the elderly, for Richmond Upon Thames Churches Housing Trust.

Under a £775,000 contract, due for completion in a year, 15 high-quality houses are to be constructed at Park Avenue South, Alexandra Palace, for Buxton Homes.

In Cromwell Road, Wimbledon, a building is to be demolished, and 24 two-bedroom flats constructed under a contract

worth more than £988,000 for Trace Office Contractors.

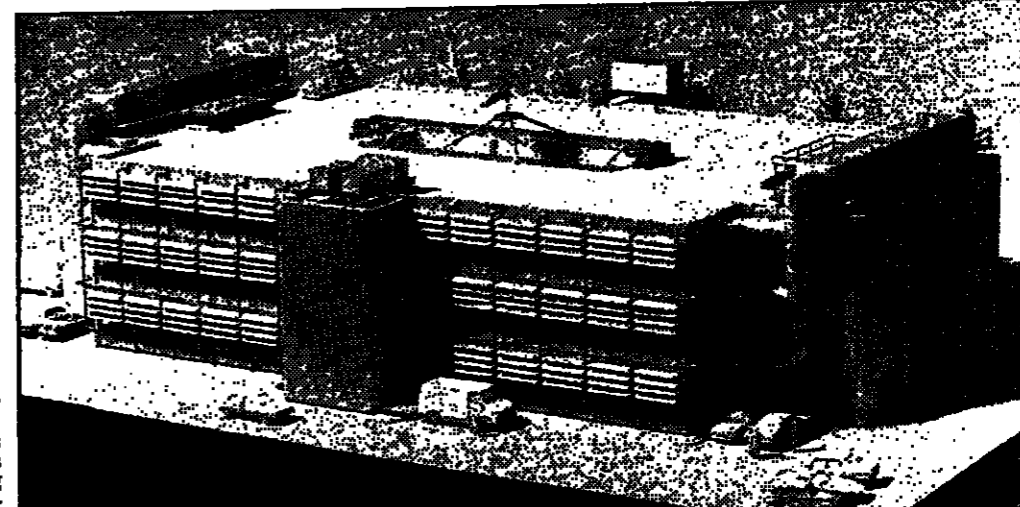
A project worth almost £350,000 is due to begin soon at Christchurch Park, Sutton, for 16 flats in three two-storey blocks, together with car parking and external works, for the London Borough of Sutton.

**COSTAIN CONSTRUCTION** has been awarded a £6m contract by Tesco Stores to build a 6,900 sq metre superstore at Stairfoot in Barnsley, South Yorkshire.

The steel-framed, single-storey building will be supported on strip and pad foundations and will have brick-clad elevations with large, glazed shop fronts. The Trocal flat roof structure will be disguised around its perimeter by a tiled, pitched roof detail. A reinforced concrete floor slab, containing voids for the distribution of refrigeration and other services, will be surfaced in terrazzo tiling.

The store is to be fitted out under the contract and this will entail installation of all plant, shelving and specialist retailing equipment. Apart from the main retailing floor, the store will also comprise staff amenities, dry warehousing facilities, fresh food preparation areas, and an in-store bakery.

Externally, Costain will construct service roads and a goods inward yard, a car park for 750 cars with covered walkway, and a petrol filling station. Road works linking the superstore to Wombwell Lane, traffic control, and a sewer diversion on the perimeter of the site will also be carried out.



**WINPEY** is to build a three-storey research and development building in Bessemer Road, Welwyn Garden City, Herts, for Xerox Research (UK). Our picture shows an architect's model of the project. The contract, valued at £4.01m, is due for completion in November next year. The building will have a central barrel-vaulted roof atrium, and perimeter pads containing conference rooms, toilets and kitchen. The external envelope will have a curtain wall system with steel external catwalks and sun shade louvers. The work includes specialist partitions, and is highly serviced and fully air-conditioned. Ground level carparking is included.

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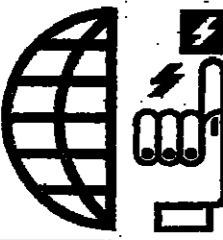
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# FINANCIAL TIMES SURVEY



The transfer of technical advances to the market is becoming much faster and more competitive. The

universities are developing commercial expertise to push their work into the business arena and earn licence fees, as Peter Marsh reports

## Big rush to the market

TECHNOLOGY IS rushing from laboratory to market place at an ever-increasing speed. And the technical ideas themselves, whether bound up with electronics, new materials or factory engineering, are having a wider and more pervasive effect in a bigger cross-section of industry.

These two factors are behind the increased interest in recent years in technology transfer, the all-purpose phrase for the mechanisms of ensuring that technical ingenuity is channelled as smoothly as possible from the initial ideas stage to the commercial arena.

Any discussion of technology transfer must start with its inherently human, rather than technical, dimension. The biggest problem in transferring ideas - from the research department of a company to its marketing offices or, in a joint venture, from one company to another - lies in ensuring that the partners in the undertaking are aware of each other's goals, motivations and limitations and are willing to work together.

Much of technology transfer, therefore, is bound up more with psychology rather than with scientific breakthroughs.

Technology transfer is also far from new. It was well known to the medieval cathedral builders

who painstakingly transferred to their rough and ready construction sites what knowledge they had of materials and of how structures react to forces.

What has changed in modern times, and particularly in recent years, is both the pace of technical change and its widening influence. Fundamentally new ideas in, say, molecular biology or the physics of microchips are making their way from the laboratory bench into products in as little as five years - a time unimaginably short by the standards of the 1950s or 1960s.

These technical advances are also affecting, either indirectly or directly, a broader range of business activities. A few years ago, technology-based industry could be neatly pigeon-holed into a few sectors such as computers, telecommunications, pharmaceuticals, energy production and aerospace.

While such areas still comprise the lion's share of what is referred to as high-technology industry, there are today few commercial activities that technical advances are not changing, sometimes in radical ways.

Take, for example, the advent of computerised data bases and video screens into the travel trade, or of laser scanners into general retailing. At the same

time, more areas of manufacturing, even what have been regarded as low-tech "metal bashing" industries such as metal casting or forging, are altering at a greater rate than at any time since the Industrial Revolution, thanks to advances in areas like automation, new bonding methods and computers.

The increasing speed and pervasiveness of technical change is automatically reducing the gap between basic research, the "curiosity-driven" sort that traditionally went on in academic institutes, and applied research, the kind which companies are best known for undertaking in turning reasonably well developed scientific principles into products.

The now substantial area of overlap between the two conventional sorts of research is referred to by Mr Nick Segal, a British consultant specialising in technology management, as strategic research.

This kind of research, Mr Segal noted recently, "covers those topics which, although concerned with fundamental issues, are perceived as creating knowledge with clear long-term potential for exploitation, though the precise applications of even the generic technologies cannot be foreseen.... Taken worldwide, so-called strategic research is probably growing as a proportion of overall research."

Having identified the need not only to become acquainted with the details of particular technology changes but to integrate

these into business operations, how does the industrialist put these policies into action?

Five broad technology-transfer strategies have become evident in recent years. These are: firstly, the university link. Academic institutes in many parts of the developed world have become extremely keen to develop connections with established businesses.

These usually take the form of joint research ventures but also encompass the setting up of new companies where both the educational centre and the existing concern may have an equity stake.

Some of these activities may take place on science parks, industrial estates normally associated with centres of learning

which are reserved for technology-based businesses. In Britain, Cambridge's science park has become a focus for how university academics can work with industry while similar concentrations of academic scientists working alongside established commercial ventures are evident in many parts of the US, most notably in the states of Massachusetts and California.

Much of the motivation for such links comes from the academic establishments, which see them as useful because working jointly with companies can both provide extra income and keep academic scientists in touch with industry developments.

Companies, for their part, may participate in these types of ventures precisely because they give

Universities: boost to earnings from industry

Patenting: key to licensing new products

Body scanners: more advances and sales

Agencies: seeking the big profits  
Transporters: chip of the future

them an insight into an emerging area of technology which the commercial concern might not get from its own research staff.

Second, there are joint research schemes. Government or industry-managed competitive research ventures have become a growth activity in the Western world.

Examples include the Esprit and Eureka schemes in Western Europe, Britain's Alvey programme in advanced computing technology and a number of programmes in the US electronics industry organised by industry bodies such as Sematech and the Microelectronics and Computer Technology Corporation.

In all these cases, the idea is that a group of companies in a particular industry like telecommunications or engineering - which might normally regard themselves as competitors - pool knowledge in areas of strategic research defined under the auspices of the particular programme.

The rationale for these schemes is twofold. On the one hand, it has become generally accepted that - for the good of the international economy - companies in broadly similar areas of business would do well to learn from each other's research strategies at a precompetitive level. As a result, therefore, governments have found it justified to pump money into research schemes to help this familiarisation come about.

The second motivation stems from the purely pragmatic realisation that modern-day research is frightfully expensive. It is more cost effective, rather than have different companies duplicate each other's work, to ensure that commercial organisations pool resources in certain areas of research.

The third strategy is the "window" approach. This entails big companies taking strategic equity stakes in smaller ventures, primarily as a way of keeping informed, in a practical "hands-on" way, about an emerging area of technology.

An adaptation of this is to set up a highly focused research centre in a particular technical discipline.

Companies involved in such strategies like to say that this enables them to open a "window" to a new technical discipline that may have fundamental importance to the way they operate commercially.

There are many examples of such "window" stakes in the chemicals and drugs industry, where the major players want to keep informed of changes in smaller companies concerned with technologies such as the

physics of new materials or biotechnology.

Japanese companies have been in the fore in developing "window" strategies to find out about technical developments in the West. According to Baring Brothers, the merchant bank, during 1986 Japanese companies paid out more than \$500m in overseas investments in mainly small technology-based ventures.

One of the leading players here is Canon, the camera and electronic goods company, which has stakes in several small US ventures. More recently, US and European companies have been putting the Japanese approach into reverse.

There is a slight adaptation here as the Western concerns are, rather than buy in to Japanese companies, are attempting to gain insights into Japanese research and development through setting up their own R and D centres in Japan. This strategy seems particularly marked in the chemicals industry.

Among the concerns which have followed this idea are Europe's ICI, Air Liquide and Ciba-Geigy and in the US: Upjohn, W.R. Grace, Dow and Du Pont.

Fourthly, there is brokerage. Here a company which wants to gain knowledge about a specific area of technology goes to some kind of agent which acts as a bridge with a third party which provides the required expertise.

Some venture-capital companies are attempting to provide this sort of service, by bringing together managers from established industry with people with new and interesting, though perhaps entirely undeveloped, scientific ideas.

The final strategy is Do-it-yourself. For all the welter of technology-transfer schemes involving collaboration with outside parties, far more companies prefer to keep technology transfer policies in-house.

More management time is taken in devising mechanisms to make transfer of ideas from the laboratory to the marketing department as efficient as possible than certainly was the case 10 years ago. Yet outside certain companies which have become well known for getting internal technology transfer policies right - Hewlett-Packard is an oft-quoted example - it still seems that many mistakes are made and that many companies would do well to pay yet more attention to this area of their business.

*Higher Education Links, article in Journal Industry and Higher Education, September 1987*



## Technology Transfer

David Worth

# TECHNOLOGY TRANSFER IS OUR BUSINESS

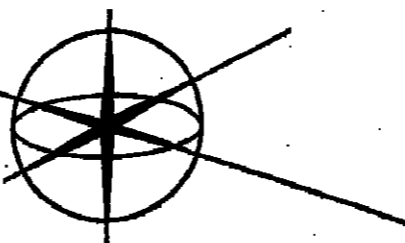
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## TECHNOLOGY TRANSFER 2

Gone are the days when universities and polytechnics were insulated from the commercial world by substantial grants, says **Jeremy Cowan**

# Universities boost their earnings from industry



Dr Mircea Krasovici demonstrates his research to improve the electrical performance of milk delivery floats to a group of industrialists attending a one-day seminar at Exeter University.

## Patent protection

## A lynch pin for licensing

PATENT PROTECTION makes the ideal lynch pin for a technology transfer agreement. On its own, a patent document seldom gives full practical details of how to manufacture an invention or make a new process work. Additional knowhow is needed, but it is often too nebulous to sell on its own. The most convenient way of trading in knowhow and goodwill is to tie it to a patent document. The patent gives legal protection on the basic idea and enables the owner and licensee to keep competitors at bay with infringement actions. The associated knowhow which may be sold with the licence helps the licensee make money from the rights purchased and gain commercial advantage over competitors who try to design round the patent instead of buying a licence.

When Philips licences electronic companies to make compact disc records or players, the licence fee is \$25,000, with a royalty of 50¢ per disc pressed and a few per cent on the factory price of each player produced. The patent licence contains no knowhow. For that, the factory must pay up to \$1m for turnkey technology. In the UK, the Government has become increasingly concerned that British ideas are not only developed but also properly exploited. This means, for example, that universities create protection on the basic idea and enables the owner and licensee to keep competitors at bay with infringement actions. The associated knowhow which may be sold with the licence helps the licensee make money from the rights purchased and gain commercial advantage over competitors who try to design round the patent instead of buying a licence.

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BRITAIN'S universities and polytechnics are not what they were ten years ago, and some academics are grateful for it. Gone are the days when these institutions were insulated from the commercial world by substantial grants. A new breed of academic entrepreneur is emerging, particularly in the fields of science and engineering, capable of identifying department's commercial strengths and of capitalising on them to benefit both the faculty and its staff.

Universities and polytechnics have not only survived the worst post-war recession, and in some cases up to 44 per cent in one year - in the case of Salford - but are now contributing more than ever to the success of the small start-up companies and such household names as BP, GEC, ICI and Philips.

They are using a range of methods to sell technology with a vigour that was notably absent before. These include the university spin-out company, conferences such as Technart, and data services such as British Expertise in Science and Technology (BEST). Whatever the history, technology today being transferred between academia and industry on an unprecedented scale. Recent successes include the design of an aluminium oxide ceramic which is more compatible with human tissues and is fitted in a new way.

Developed by London's Imperial College and Morgan Matrice Surrey and funded by the Science Engineering Research Council (SERC) this has now been successfully tested.

At the other end of the country, pioneering work at Strathclyde University, Glasgow, has overcome many of the problems associated with ship-board installation of "moon pools".

The hazards of launching these over the side can be eliminated by building a moon pool in the centre of the ship.

One of the most common problems with this technique is that wave heights can be accentuated quite unpredictably in the moonpool. Now a new design from Strathclyde has now been employed in a number of British and Canadian vessels which permits diving in hitherto impossible weather.

In many cases the figures for technology transfer speak for themselves. Birmingham University has shown a dramatic improvement in earnings from the sale of technology, taking its revenue from industry, of \$750,000 to roughly \$4m last year.

But the discovery of this new earning power has brought problems. For example, many universities feel that although they are now earning some of their keep, they are being exploited by industry and government departments who often expect work to be done at cost.

There is also a common feeling that having shared in the research effort on a project, they should have equal rights to the intellectual property resulting from it.

Under the terms of the Government's Alvey scheme, which was aimed at enhancing Britain's information technology industry by collaboration with universities, and the new Link scheme which encourages the transfer of all exploitable technologies, all intellectual rights in joint research fall to the industrial partner.

Further, while some universities are only just receiving their first revenues from selling their services, be it through a poor understanding of their own earning power, a disorganised or half-hearted approach to selling, or simply through having little to offer, some institutions now find more than half their income from external sources.

Conversely, this has now left them open to criticism of neglected teaching duties and basic research. Many universities and their staff now rely on this extra revenue to subsidise modest government grants and salaries. The dilemma is that many feel that compared with private research organisations, their services are of a lower standard, and are not covering overheads, such as the replacement and uprating of laboratory equipment.

Government departments are as much to blame as commercial companies, according to Auriol Stevens, Director of the Universities Information Unit.

"And if the universities try to improve their financial returns, they run a high risk of losing contracts to competitors, particularly in other universities."

One senior industrialist who has some sympathy with this difficulty is Derek Roberts, Technical Director of GEC. But he does not accept that industry is to blame.

Getting the going rate for research from universities is a problem, I agree. It goes back to the time when the UGC put up money from central funds for research overheads. In recent years the squeeze has meant that overheads have not been fully covered by the UGC."

To earning a realistic fee is just one of the universities' concerns, however. Many smaller companies have in the past complained of difficulty in identifying the right university and department with which to work.

High-technology companies without this back-up have for 18 months now been helped by the Universities Information Unit at the offices of the CVCP in London. Companies can browse through a list of university contacts published by the CVCP or can use the unit to circulate details of their requirements throughout its network. The Alvey programme comes

to an end next year and is due to be replaced by Alvey II, about which a government announcement is long overdue. The programme has encouraged commercial contacts between industry and higher education but the universities are unhappy that it has given the academic partners no intellectual property rights.

It is now being proposed that the same situation should apply in the Link programme, Mr Stevens says. "We believe that the Government should act as an honest broker between the universities and industry, insisting on equal rights for each to exploit their joint researches."

Many in industry do not agree. According to GEC's Derek Roberts: "It is important that industry's intellectual property rights should be protected, but it would be wrong to place too much emphasis on this problem. Only a few per cent of projects ever run into difficulties over property rights."

But if the university feels short-changed at the end of a project it is likely to rush into others in the future. "Nobody is forcing them into collaborative ventures with companies. Nor was Alvey aimed at improving technology transfer, it was designed to strengthen UK industry."

"Anyway, Alvey (and Link) is a two-way flow of information so if universities want to benefit they must consider links with industry."

He adds: "If the universities change the rules quickly they may lose out. Their research is cheap and if prices rise too much companies will not feel they are getting a bargain and may simply put research out to commercial laboratories or do it in-house."

Industrialists and the Department of Trade and Industry are reportedly finding that the organisational structure of British universities is hindering the acquisition of industrial problems.

Dr John Parnaby, group director of manufacturing technology at Lucas Industries, says: "Our universities are modelled on a single disciplinary structure when most industrial problems are multi-disciplinary. So companies seeking a solution may have to co-ordinate work from different departments."

In West Germany though, the universities have industrially-grouped faculties. Aachen, for example, has research institutes geared to industrial needs such as plastics, textiles and machine tools.

"Japan and Germany are the two countries we can learn most from," says Dr Parnaby. "In Japan, the Ministry of Education and Science's allocation of \$16m to the establishment of Manufacturing Systems Engineering courses, offering multi-disciplinary training, has excited great interest this week from the

polytechnics. I hope that this can be extended to the universities."

Mr Parnaby says. He is also enthusiastic about the DTT's initiatives such as the Integration Programme and the Teaching Company Scheme which puts young engineers into a business environment to focus on an industrial problem under academic and industrial supervision.

Most centres of higher education have now woken up to the financial opportunities of collaboration with industry. No one dreamed though, that any would go too far down this road and threaten teaching standards and the quality of graduates.

According to Prof Raymond Smallman, Vice Principal of the University of Birmingham and head of the department of Metallurgy and Materials Science: "When money was plentiful it was easy to sit at your desk and write a proposal without properly interacting with industry. Perhaps the pendulum has now swung too far the other way, though."

"We must not go too far down that collaborative route. Universities must be able to work on crazy ideas; we must have the chance to do basic research not tied to industry's needs."

If the business community is to get the best out of co-operation with universities and polytechnics, it will need to give greater thought to one or two points. Both industry and government departments must forget the research they have some right to high quality research "on the cheap."

If companies feel they have already paid taxes for this they should remember that these funds also help to supply their graduate recruits, and should pay for the research separately and in full.

Government, too, can ensure that universities have an incentive to co-operate in commercial research to benefit British industry, both by agreeing to pay the going rate for research and by supporting a more even division of the intellectual spoils between industry and academia.

Having started to make technology transfer work for them, the universities must not lose sight of the need for pure, as well as applied research - although for most this is scarcely an urgent problem yet.

These slow starters will contribute to industrial development only if, first of all, they are willing to communicate their knowledge and, secondly, have technology to sell that is relevant to industry's needs.

For that they must be in daily contact with industry, not just through their industrial liaison bureaux which have had moderate success, but through formal and informal contacts of every kind.

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This patent portfolio has now withered from old age and BTG's income from patent licences has plummeted from more than \$25m a year in 1983 to \$12.5m last year. There is still no sign of any new money-making of comparable value and BTG has had to spend heavily on suing foreign companies which have infringed its existing patents. BTG is now slumping down the number of active projects. The Department of Trade and Industry, which oversees BTG, has already talked of privatisation. However, the BP shares debacle puts this idea back in the melting pot. When a patent application is filed in Europe it establishes an unambiguous priority date for the invention described. Anyone who has come up with a similar idea but not tried to patent it, or who comes up with the same idea and then tries to patent or work it, may well be stymied. Under European patent law, but not in the US, it is fatal to disclose an idea, other than in confidence, before filing a patent application. Although the Patent Office will often not know about the disclosure, and will thus grant a patent, the grant will be

open to attack by third parties. So talking openly about an invention before a patent application is made puts a time bomb under any patent subsequently granted. There are good legal reasons why large companies will often refuse to consider unpatented ideas in confidence. If the company's own research department is already working secretly along similar lines, a difficult situation can arise. The company must either disclose the secret status of its own work, or risk being accused of using someone else's confidential proposal as a springboard for in-house research. It is often said only half-jokingly, that the best way to cripple a research laboratory is to get wind of their latest research programme, to see a confidential proposal along similar lines through the window, and run.

If an inventor has filed a patent application, there is no need for proposals in confidence because there is already a cast-iron priority record at the Patent Office. With an application on file there, the originator is free to talk openly about the invention - although there may be good commercial reasons for talking in confidence to keep a lead over the competition while the application is still held secret by the Patent Office.

Drafting a patent specification is a skilled job, which requires a curious mix of technical and legal skills. Although solicitors are allowed by law to practice as patent agents, only registered patent agents can take the strict examinations set by the Chartered Institute of Patent Agents. Inventors will have to be on their guard because the Government's new Copyright Bill will let anyone set up as a "patent adviser". A patent application must contain enough technical information to give strong legal protection, and room for manoeuvre against infringers with similar ideas. But it must not give away so much technical detail that it amounts to a knowhow disclosure. In Europe, patent applications are published 18 months after filing. If the application is rejected by the Patent Office the text remains published as a free text, book guide to infringers. The chartered institute does not allow agents to advertise, but it runs clinics. Inventors get a little free advice and a list of agents names. Barry Fox

## Magnetic resonance imaging

## Progress in medical scanners

TWENTY YEARS AGO, the children's TV series Star Trek featured a small computer which could peer inside the human body and diagnose disease. At the time it seemed laughably far-fetched. Yet machines like this exist already, employing magnetic resonance imaging (MRI) as a non-invasive way of analysing body tissues.

Five imagers, still sometimes known as nuclear magnetic resonance (NMR) scanners, were invented, and continue to be refined, in British universities. As the images the machines produce become clearer, their uses become more subtle. They are already capable of identifying the elusive cellular changes which lead to multiple sclerosis and of determining exactly how much plaque is contained in a blocked artery.

Dr Donald Longmore, director of the NMR unit at the National Heart Research Institute, will revolutionise medicine and the market in them will be worth billions of pounds.

"You can compare the situation with that of the motor car in 1904. It was considered to be a magnificent machine and no one would have guessed at the refinements which would be offered on standard production line models 80 years later."

But even today, the manufacturers who take such advanced equipment from the prototype to the production line face research and development costs running into tens of millions. So how does the academic working in his lab transfer this particularly high-tech device to the multi-national market?

With difficulty, according to Britain's leading expert, Prof Peter Mansfield of Nottingham University. He invented the first imager, which was patented in 1974, and is currently trying to launch a second generation machine which produces instant "snapshot" images.

Most of the machines currently available require a three to four minute wait before the image can be seen. In the early 1980s when he was working on his first machine, Prof Mansfield found he was neither fish nor fowl as far as the grant-making bodies were concerned. The Science Research Council turned him down because his idea was obviously medical, while the Medical Research Council was unhappy about giving the money to a physicist.

After more than 18 months of scratching around for funds, Prof Mansfield eventually got the backing he needed from the MRC. Under the terms of the grant, he also involved the National Research Development Corporation, later replaced by the British Technology Group, in his work.

While the BTG was dealing with the patenting process and attempting to license the British inventions, Prof Mansfield did all he could to publicise the virtues of the new imagers. After 15 years of effort, he admits to being a little disillusioned with the slow response of industry to these new ideas. "If we had been able to convince the companies earlier on, we would have seen a return earlier as well."

"One of the sad facts of life is that British businessmen don't seem to be interested in technology. They are more interested in the stock market."

However, Prof Mansfield is hopeful that this is now changing, and he expects his new-generation scanner to be on the market within the next two years.

Prof Mansfield does not try to produce his inventions himself although two of his students did by emigrating to the US and obtaining venture capital over there. However, Prof John Mallard of Aberdeen University did attempt to manufacture the inventions of his team by starting a company, M and D Technology.

"To put it bluntly, we failed," he says. "We were financed by money from the City and the Scottish Development Agency and eventually made and installed three machines. What the City did not understand was how much money it costs to build up a team of people with the necessary skills, and how long it then takes to see a return on your money. The company was sold for £1 per shareholder, and is now in receivership."

Prof Mallard says the lesson from this is that only the giants can survive in the world of MRI, and the evidence seems to back him up. Philips and Picker International (which is owned by GEC) are merging their medical instrumentation sections into a new, jointly-owned company. Several other smaller MRI companies have been taken over by multi-nationals, and the leaders in the field are now General Electric, Siemens, Toshiba, Pick-

er and Philips. Meanwhile, both the Aberdeen and Nottingham teams are waiting to receive royalties from scanners manufactured by General Electric, under a deal negotiated by the British Technology Group.

General Electric is a world leader in a field which has expanded rapidly over the last two years. In December last year BTG won a favourable out of court settlement from Johnson and Johnson in connection with a major patent on MRI.

Royalties from other manufacturers are likely to be negotiated. The scanners are proving far more versatile than was originally expected. Dr Longmore says: "Everyone said the scanners were good head cameras. I set out to show that they have a special role in screening for heart disease."

He explains that they can be

used to measure the amount of fat in the plaque, show how blood vessels are narrowing, and also how effectively the heart is pumping blood.

At present, MRI scanners cost about \$1m although they are likely to become cheaper in time. At the moment royalties are trickling in fairly slowly. Prof Mallard says he and his team members each receive about \$5 for each scanner sold.

Nevertheless, as the scanner market expands, the royalty deals could eventually turn the inventors into rich men and also swell the coffers of the universities where the work has been carried out.

Both professors say they thought the British Technology Group had done an excellent job in battling for the licensing agreements.

Ann Kent

## 'THE DRIVING FORCE IN TECHNOLOGY TRANSFER'

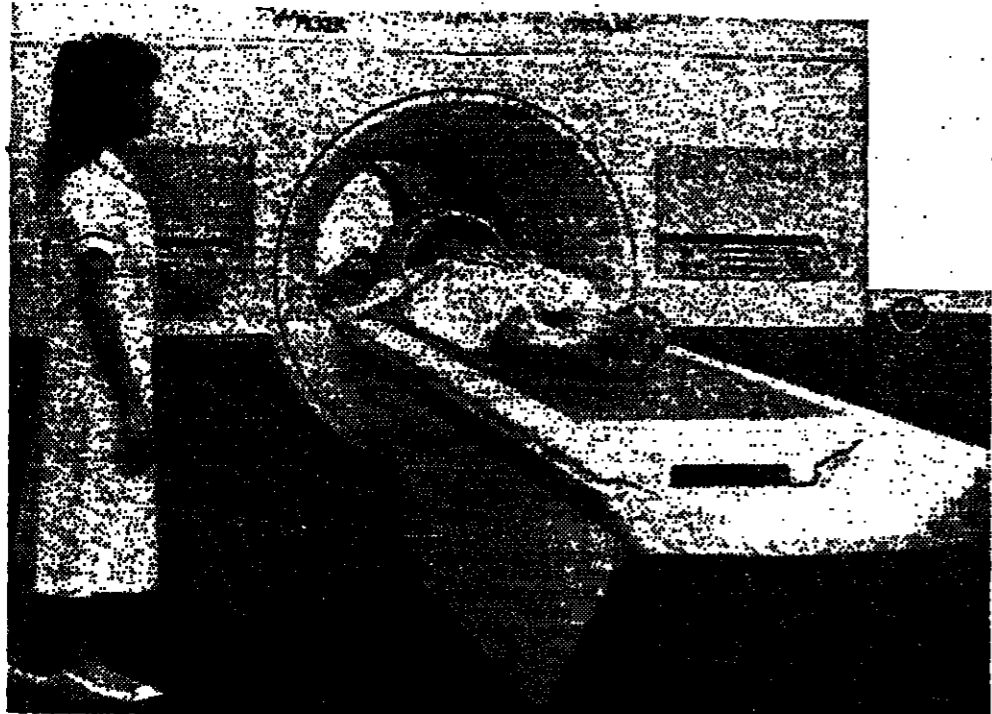
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## TECHNOLOGY TRANSFER 3



Patient in a Pickler scanner, developed as a result of research at Aberdeen, Nottingham and Oxford universities and licensed by the British Technology Group

## Transfer agencies

## Numerous groups seek big profits

IF TECHNOLOGY TRANSFER is gathering pace, then the business itself of handling the transfer of technology and its licensing is undergoing its own minor boom.

Providing opportunities for the researcher and inventor in industry or academia to find a commercial backer or investor is becoming so competitive that even big banks, such as Barclays, are moving in a major way.

Barclays has designated 85 of its banks up and down the country as special hi-tech branches. Each manager is specially chosen and sent on a training course to learn about the leading edge technologies and their market structure.

The increasing business for technology transfer agents follows the trend of seeking more global exchange of invention and innovation. For companies seeking international links their friendly, local bank manager is likely to be competing against much more specialised technology agencies.

The remarkable growth in transferable technology, particularly in computers and other electronics, biotechnology, pharmaceuticals and chemicals, feeds off international R & D.

Thus increasingly numerous agencies, whether the government-sponsored British Technology Group - the largest organisation of its type in Europe - or one of the many technical transfer consultancies, see potentially large profits to be gained from licensing internationally.

For instance, cholesterol assay techniques developed in Britain brought BTG £750,000 in royalties from its use for medical blood tests in the fewest 50 countries last year.

Though many would say Britain has more than its fair share of innovative talents, it seems that its innovators and development companies are going to face more competition because of companies increasingly seeking out foreign innovations for development in British industry. This is still good for the British economy in creating new products, markets and jobs, the argument runs.

Mr John Emanuel, chairman of the Institute of International Licensing Practitioners, says: "The UK now represents less than 5 per cent of the world market for goods and services and, as far as one can estimate, less than 5 per cent of the world's invention innovation."

"For companies needing good science and technology-driven opportunities for their future development, innovative technology should be sought from UK sources - but even more from overseas."

To cope with the rapid expansion around the world in research, consultancies offer specialist services in technology and company acquisition, marketing, mergers, finance, and agents. The aim is to reduce costs, share risks and widen markets.

Fees range from retainers of several thousand pounds for a general "technology travel" or client company search, to royalties and bonuses which can run to hundreds of thousands of pounds if one of the hundreds of prospects they screen strikes gold.

Mr Emanuel, an EEC consultant on European technology exploitation, is also managing director of Pax Technology Transfer, a London consultancy whose current activities include

putting together a £1m deal between a UK and a US company to develop what is claimed as the first sophisticated industrial ceramics plant in an Eastern bloc country.

With 70 associates in 40 countries, the agency has also recently arranged to import Chinese chemical fermentation technology into Europe.

Importation to Britain of innovative technology would once have been seen as heresy in the BTG. The agency was born of the National Research and Development Corporation set up 40 years ago. Its chief executive, Mr Ian Harvey, 42, and trained at Harvard Business School, is now launching BTG's own approach in this direction.

"The UK innovative attitude is to keep to our bosoms what we develop in the UK. I believe that is impractical - we have to develop what we can with the UK first, then look at the global market, particularly the US and Japan. Even then, where possible, we should try to incorporate a UK input, he says.

BTG is in the process of launching an inter-company licensing system. "I believe that the technology transfer business is international," Mr Harvey says. "This means both licensing out - that is licensing foreign companies to use British technology - and licensing in, which is bringing foreign technology to UK companies."

"Already we have had substantial interest from companies wishing to be involved in a major market out there which is not developed. The UK can benefit from selected importation of technology, particularly of fully-developed products."

A study commissioned by BTG suggested that UK companies were "mostly indifferent" to the source of new technology, whether it came from the US, Europe, Japan or elsewhere. A further finding was that 88 per cent of those companies which had licensed in technology had done so either where a fully-developed product was available or where the product had already been marketed.

He sees the BTG's strength as providing major financial resources, plus skills in patenting and protection and knowledge of worldwide companies and markets for an effective licensing programme.

They are not afraid of litigation. After winning their nuclear battle to protect their nuclear magnetic resonance medical imaging system, BTG are now suing the Pentagon for alleged infringement of rights over the Hovercraft, now used widely around the world.

Sales of BTG-licensed products are approaching \$1bn a year which brings in licence income of £15-£20m annually, with new licence signings at the rate of one to two a week.

BTG's operation head, Dr Derek Schafer, says he has a portfolio of at least 50 innovations which could create major income for the takers. These include pharmaceuticals, diagnostics, new materials, electronics and software.

Unlike BTG, which is prepared to back projects for 20 years or more, venture capitalists tend to go for short-term gains, usually putting in a director on the client company's board to advise and monitor progress.

It is one of the highest-risk

businesses of all, with about 60 per cent of companies not meeting their investment return. Companies such as investors in industry, Top Technology, owned by Hambros, and others combine to give Britain the largest venture capital industry in Europe.

According to Mr Lionel Anthony, chairman of the British Venture Capital Association, the total investment for last year was \$426m, a 31 per cent increase over 1985. "We now have over \$2bn available for members of the BVCA for investing in unquoted companies."

Venture capitalists often claim there is too much money in Britain chasing too few viable ideas, yet small companies complain they seem unwilling to fund very young companies needing only a few tens of thousands.

In line with the trend for a two-way exchange of technology, the European Venture Capital Association, formed four years ago, is now doing developments in international markets for the start-up of small companies its members fund. Meanwhile, Barclays sees the benefits of getting their branches in hi-tech areas such as the Thames Valley, involved in such industries.

Mr Matthew Bullock, corporate finance director of Barclays, says: "Over the last 10 years we have seen a growing demand from larger companies for the acquisition of innovative product design and processes from third parties."

Because an increasing part is now being met by smaller research development and design-intensive companies, the bank has focused its support for such projects close to the main research centres round the country.

"We now have extensive loan commitments of over \$400m to finance sales growth and development in such companies."

His department has formed a High Technology Team at head office to provide support for the designated branches, offering more specialised advice and service, backed by on-call specialist consultants and advisers on licensing, patenting, and contracts from the head office team.

Mr David Killick, who heads the team, reports pleasing growth in the 18 months to last April when the number of newly hi-tech clients increased by 34 per cent in the Reading area and 30 per cent in Luton.

There are many other effective methods of technology transfer. These include industrial fairs and exhibitions, various publications which bring researchers and exploiters and inventors' clubs such as Inventalink, which publishes ideas and circulates them in a bulletin to members.

Techmart, the four-day technology transfer exhibition and conference held last month at the National Exhibition Centre, is a major event in the calendar. This year it attracted a range of exhibitors from small inventors to technology agencies and universities, though the number of "blue chip" exhibitors this year was disappointing.

Despite lower attendances this year, a number of companies claimed substantial orders for technology deals, though the real business follows later from the contacts made.

Mr Paul Miller, technical director of a nine-month-old London company, Novotech, spent £2,650 to take a stand this year. He expects to achieve about £250,000-worth of business for Novotech's Aurora 16 computer-controlled illuminated display for shops, hotels and shopping centres.

Novotech also received agency inquiries from France, West Germany, Switzerland, Belgium, Austria, Canada, Israel and East Africa.

Michael Jeffries is Editor of Science and Business Link-up

## Case study: transputer development

## Chip with a huge future

THE STORY OF the transputer, perhaps Britain's most innovative recent scientific development, is the classic case history of technology transfer.

Several different strains of university and industry research have come together to bring to the market a product of high intensity which may well transform the way many scientific and industrial tasks are done.

The "computer on a chip" in its latest form, the T800 transputer, is now taking the world of computing by storm. Even though the makers, Immos, can not yet report a profit, the future looks extremely rosy for this baby of the defunct National Engineering Board, now a subsidiary of Thorn-EMI.

The T800 is now being delivered in bulk and companies around the world are clamouring for it. The range of concurrency - the ability of a computer to perform many tasks at once - is at last feasible now that many transputers can be linked together to form a super-computer of awesome power.

The prime example at the moment is the Edinburgh Concurrent Supercomputer, which will eventually have no fewer than 1,000 transputers as its central processing unit. Since each T800 can carry out 15m instructions per second, the potential power of the Edinburgh computer is an awesome 15bn MIPS.

That would be almost enough to make meteorology an exact science instead of the half mysterious art that it is at present.

There are many other tasks where the application of transputer power will not only make complex calculations much quicker, it will also make possible some calculations previously not capable of being performed at all.

The several strands of the development of the transputer from an idea to a reality include the vision of Ian Barron, a computer scientist and now a director of Immos whose concept it was.



Chip inspection at Immos and (right) Ian Barron, originator of the transputer concept

After the initial idea, David May is given a lot of credit for the architecture of the transputer. He was at Warwick University when he met a young external student, Miles Chesney, who was later to head the team at Immos which designed the transputer.

Another name which is important in the transputer story is Prof Tony Hoare, of Oxford University, who was responsible for occam, the language on which the transputer runs (although it can also use languages such as C and Fortran).

Chesney is now helping to run Meiko, a company in Bristol which is exploiting the transputer in products which are selling worldwide. He praises the European Community Esprit programme of technological assistance for the impetus that it gave to the transputer project.

He says: "The T800 is so demonstrably useful that the de-

mand is picking up rapidly." Like Edinburgh University, the American company Floating Point Systems has developed a supercomputer which promises to challenge the giants like the Cray machines - and probably for significantly less cost.

On a smaller scale, transputer-based add-ons for personal computers have already been developed for the Commodore Amiga, the IBM PC AT and various Apple computers.

But probably the most significant venture so far, which seems likely to bring the transputer into a much wider field of computing, is the launch in Las Vegas of the new Atari ST "workstation" with a transputer as a special number-crunching processor aimed at the educational market.

This one project where graphics is important and the aim is to make genuine animation possi-

ble at very high resolution. It is expected to be ten times as powerful as an IBM PC AT and some industry experts are predicting that eventually it will be on sale for less than \$1,000.

In his office in the Bristol city centre, Miles Chesney demonstrated a system based on 32 transputers in tandem which produced breathtaking graphics of molecules on a screen.

The Atari will obviously be on a smaller scale than this, but it promises to be an exciting addition to educational computers.

The use of the transputer in graphics is the easiest way for people to comprehend its power, so all the early demonstrations were that way. But it will be the sheer application of low-cost computing on a huge scale that will eventually make it a success.

And the success is already beginning for Immos, which has its R and D centre at Almondsbury,

near Bristol, and its factories at Newport, Gwent, and Colorado Springs, Colorado.

It now has more than 200 customers who are already applying transputers to their products or are planning to do so. They range from computers for space satellites both for the European Space Agency and NASA to add-on cards to make personal computers incredibly powerful machines.

One Japanese company is using transputers in a video telephone it is developing, and another is incorporating transputers in a high-speed image processing system for factory automation.

The chairman of Immos, Mr Harold Mourgue, claims an 18-month lead over competitors in this advanced field.

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This announcement appears as a matter of record only.

## APPOINTMENTS

### Finance director of the Prudential

Mr Michael Lawrence has been appointed group finance director of the PRUDENTIAL CORPORATION from January 1. He is a partner with Price Waterhouse, a non-executive director of the Port of London Authority, and a director of Port of London Properties. Mr Charles Boucher has been appointed finance director of Prudential's international division. He joins from Smith International Inc., where he was finance and treasurer director (eastern hemisphere).

Mr Ian Ruperi has joined WALTER LAWRENCE PROJECT MANAGEMENT as sales and marketing director. He was marketing director of Trollope & Colls.

Mr David O. Belne has been made chief executive of FOCUS EVENTS. He joins from Cabers Exhibitions where he was managing director responsible for the operation of a wide range of events. Mr Geoff Dickenson, formerly show director of both public and trade exhibitions & technical exhibitions, becomes managing director. He replaces Mr Paul Streeter, who has decided to pursue his former career in computer sales at Cambridge Computers.

Mr Arthur Kettle, managing director of Jamesbury UK, has been appointed chairman of the BVMA from November 12.

EX-CELL-O CORPORATION, a recent management buy-out from its American parent, has



Mr Michael Lawrence, who has been appointed finance director of the Prudential Corporation from January 1.

appointed Mr Maurice Bennett as deputy managing director. Mr Bennett, formerly managing director of DeVlieg, has been managing director of companies such as Warner Swasey, JCB and Eaton.

Mr R. A. Gussner has been appointed director-research and development of ALEXANDER STENHOUSE UK. Mr Henry Kozarek, local director-developer south and west division, has been made director of major case development in succession to Mr Gussner.

Lord Elliott of Morpeth has been appointed a non-executive director of T.COWIE.

DECLAN KELLY has appointed Mr Doug Smith as a main board director responsible for special projects. He was senior London manager with Lloyd's Bank.

Following a restructuring of the Michael Forsyth Group, Mr John Hayes and Mr David Roberts have been appointed joint managing directors of the parent company. Mr Robertson takes control of a new division, political relations; Mr Hayes is in charge of the subsidiary City Publications.

Mr Peter Welch has been elected to the board of THERMAL SCIENTIFIC as a non-executive director. He was group commercial and finance director of Fosco Minap.

Mr ROBIN F. NUNLEY has been appointed group sales and marketing director of RUBERY OWEN-ROCKWELL. He will co-ordinate the European sales from the company's branches in Benelux, France, Italy and West Germany.

Mr Simon Cartwright has been appointed vice-president, hu-

man resources, for PHH EUROPE, Swindon. He was director of personnel.

Mr Francis Holmes, UK chief executive, has been appointed to a new holding company board of INSPECTORATE INTERNATIONAL, a Swiss quoted company, and will assume international responsibility for its services division. Dr Ulrich Guggisberg and Dr Matthias U. Jermann have also been appointed to Inspectorate's new executive board, which is chaired by Mr Werner K. Rey.

Mr John Richards has been appointed development director of HASSALL HOMES, a Raine Group subsidiary. He was construction director. Mr John Fawcett has been appointed land and sales director. He joined the company last March.

JOHN BROWN, a Trafalgar House Company, has appointed Mr Brian Goldsberry its director of personnel. He joined John Brown in 1977 as personnel director for the engineering and construction business area.

JMH BOSTROM EUROPE has appointed Mr Roy Jones as executive chairman of the group, and Mr Colla Howell has become group managing director. Mr Jordan was chief executive and Mr Howell was operations director. Both were principal members of the management buy-out team which purchased Bostrom from Universal Oil Products.

MCKECHNIE has appointed Mr Clive Underdown as chief executive of its consumer products division. He was managing director of GTE Rotolux, a major European subsidiary, Concord.

## CONTRACTS

### Military bridging system

NEI THOMPSON, Wolverhampton, has been awarded a £28m design and development contract for the Ministry of Defence's Bridging for the 1990s project.

This will produce a new highly mobile lightweight military bridging system which can be transported in rapidly-assembled sections or mounted as a unit on a tracked chassis.

This contract contains options for a contract which would bring the total value to about £100m. It includes not only the design of the bridges but also of the vehicles and mechanisms plus the manufacture of the system to meet the performance and reliability requirements of the Ministry of Defence.

To handle the contract NEI Thompson has formed a separate business unit, Thompson Defence Projects, under the directorship of Mr Richard Buckland. Offices and manufacturing facilities have been established at NEI Thompson's head office at Ettingshall in Wolverhampton, with a design team at NEI Clarke Chapman, Wellman Booth in Leeds.

Mr Buckland said the award of the contract was the culmination of more than 30 months work. The bridging system which NEI Thompson will develop will be capable of carrying heavier armoured vehicles, such as the 62 tonne Challenger tank.

DE LA RUE SYSTEMS has won orders from Spain, Brazil and the People's Republic of China,

worth in total £3.7m.

The first of these orders is from the world's largest state-owned lottery, the Spanish National Lottery Organisation, ONLAE, which has ordered equipment to supply six coupon processing systems, software and additional services. A contract for an additional phase of the lottery's modernisation programme is expected later this year.

In Brazil, De La Rue Systems is to supply banknote sorting systems to Banco Central do Brasil. The first two systems are being delivered this month and there are plans to install 20 further systems over the next three years. In China, the company has won a single order for 1,000 banknote counting machines after two years of negotiations.

### Extracting opencast coal

A £15.7m contract to extract 800,000 tons of coal at the Waverley East opencast site, Catcliffe, near Sheffield, has been awarded by British Coal to LOWMOUNT CONSTRUCTION, a wholly-owned subsidiary of the Mowlem group.

The eight-year contract will involve moving 20.5m cu metres of material and will create a hole at one stage 74 metres deep. The site will be reinstated progressively to leave the land fit for industrial use on completion. Lowmount is to spend £5.25m on plant for the project, largely hydraulic excavators and 95 tonne dump trucks.

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## Royal Academy/David Piper

## Plantagenet age pavilioned in splendour

Age of Chivalry at the Royal Academy is not just an exhibition but could almost become, during the next four months until it closes (6 March), an alternative way of life, if you have time to spare. Not that it presents chivalry as a relevant code for social behaviour in the 1980s - young males in the Underground are unlikely to jump up to make way for the aged or the pregnant - but many aspects of the chivalric ideal were honoured more in the breach than the observance from the earliest days. Nevertheless the title was clearly irresistible, and does not impair the main theme of this splendid exhibition which is *Art in Plantagenet England 1150-1400*.

Though once a medievalist, I tend to approach exhibitions of pre-Raphaelite art with a certain wariness: so many of them will be fragmentary, not just worn or broken by time, but deliberately mutilated by Puritan iconoclasm. I fear not only aesthetic mutilation, but a chill of ancestral guilt.

At the Academy, any such inhibitions were quelled by the very first images visible. Brilliant, a masterpiece of Gothic jewelry, exquisite in its complex delicacy, a golden circlet from whence rise twelve golden lilies all in a dazzling display. Brilliant, a masterpiece of Gothic jewelry, exquisite in its complex delicacy, a golden circlet from whence rise twelve golden lilies all in a dazzling display. Brilliant, a masterpiece of Gothic jewelry, exquisite in its complex delicacy, a golden circlet from whence rise twelve golden lilies all in a dazzling display.

This display is a perfect introit for the exhibition. Various problems that beset the illustration of Gothic art have been resolved with rare success. The really monumental, surviving achievements of Gothic art in England are obviously the great cathedrals and churches, that cannot be popped into the confines of the Academy.

To achieve a more sympathetic setting for the spirit of the exhibition than the very post-Renaissance classicising detail, Alan Stanton and Paul Williams have devised a very refined and elegant kind of "Gothic-equivalent" idiom. I would not have guessed it possible to suggest, acceptably, Gothic styles in the Academy's grand gallery, but it is. The quality of the great churches is illustrated here and there by photographs, but above all by a separate audio-visual display, which I warmly recommend - the film is very beautiful.

Within the galleries, the illuminated show-cases are very efficiently and unobtrusively designed, and reflection problems almost banished. In them, a class of objects normally very difficult, or impossible, for the general public to view properly, is brought to life: the illuminated books. One cannot, of course and alas, turn over their pages, but the brilliance of the openings displayed is riveting, and it is only in them that the continuity and development of Gothic painting can be studied perfectly preserved, depicting life and death in ritual angular, stylized ceremony but often in the most vivid unfaded colour blazing against burnished gold.

Another class of object like-wise difficult to see properly, is stained glass, but for that here the dust, imposed on some rooms in the interests of conservation, proves a positive bonus. The whole exhibition is jewelled with its colour, fused in the display walls, back-lit, allowing a clarity and a "readability" that is magical, and ranging from small panels perhaps only a foot or so wide to a twenty foot high window glazing moved complete from Canterbury Cathedral - one of the Thomas Becket miracles set. A removal as delicate and perilous as this may seem to need further justification, but the organisers have supported their pleas for a number of loans with assurances of funds for the often very necessary conservation of the glass, and some other objects too. The exhibition as a whole is sponsored by Lloyd's Bank, but some of such consequential benefits to lenders (and posterity) have been helped by grants from City Living Companies and bodies like the Pilgrim Trust. The glass is breath-taking twice - once, at the dawning of the new, and twice, at the dawning of the old, the radiant, thus ideally revealed.

The exhibition occupies almost the whole of the main galleries, and almost 750 objects are shown, in a sequence of mixed media displays. The first are designed to set objects in the political, religious and social contexts then follow chronologically the eras of the six Plantagenet monarchs between John (no. 1 in the catalogue is a parchment manuscript of Henry I's laws) and Richard II. Objects range in scale from the great Canterbury window to coins, some no bigger than a small finger-nail, and represent many media: sculpture in stone and wood, even two splendid full-scale tomb effigies of knights in wood, and ivory; metal work, from arms and armour to silver spoons, rings, coins, ecclesiastical church plate, stained glass, pottery, wax (seals), painting, textiles (notably the great *opus anglicanum* cope from Bologna), manuscripts. One of the revelations to many will be the very generous loans from Norway of sculpture apparently made by migrant English carvers, which - unharmed by iconoclasm - preserve the quality of

early Gothic English carving as nowhere else, most splendidly in the major masterpiece, still polychromed, St Michael from near Trondheim, about 1250.

Space allows me to do little more than salute the exhibition as spectacle - its quality as such shone through even when, at the press view, areas were still in some disarray as loans arriving at the last moment were being installed. And a first appraisal was enough to recognise it as a worthy sequel to its recent predecessors in the task of re-assessing the achievement of early English art (Anglo-Saxon at the British Museum, Romanesque at the Hayward Gallery, 1984-6). The catalogue, edited by Jonathan Alexander and Paul Binski (575 pages, Royal Academy with Weidenfeld and Nicolson, 16.50) is equally clearly a lasting contribution to the literature of the subject. It embraces 25 essays by distinguished specialists in different aspects, and will provide me with reading matter till Christmas. It is, though, definitely in the catalogue/monograph category, and - weight over five pounds - requires for its use, on exhibition, on field-work, as it were, an as yet un-invented piece of furniture, a trundler-lectern.

For anyone whose grasp on the history of Plantagenet England is not all that secure, use of the "Soundalike" walkman may be found helpful for initial exploration and orientation, though the captions on the walls are legible, concise yet illuminating. Yet the vital exuberance, the achievement even when maimed by later violence and vandalism, that the objects project in themselves, seem oddly indifferent to the turmoil, the internecine violence, bloodshed and injustices at all levels of society in this period (the Hundred Years War, the Black Death, failed harvests, feudal slavery, plague).

No direct impact (though of course there is an indirect one) of the preceding Peasants' Revolt of 1381 led by John Ball and Wat Tyler is discernible in the exhibition. The peasants were seduced in confrontation with the young (and very brave) Richard I and Tyler was knocked off by the Mayor of London; in the exhibition all peasants appear normally as rustic clowns - visible most vividly in the vigorous carvings of the misericords, the hours of prayer. The Peasants' Revolt, though, was sparked by a poll tax - the Commons today should perhaps take note.

The last of the Plantagenets, Richard II died (like his great-grandfather before him, Edward II) by murder - nevertheless, the room devoted to his reign celebrates the establishment of the English vernacular in major literature by Chaucer, whilst the portraits of Chaucer and of Richard II are the classic examples for the naturalistic portraiture, the emphasis on individual likeness and identity, has arrived, and modern man in England is on his way.



Stained glass panel from Exeter Cathedral of St Edward the Confessor, c1372-93

## Macbeth/Theatre Royal, Bristol

B.A. Young

Bristol gives us a decently straightforward Macbeth, with a few unorthodox touches that need up to set one. The main character, for example, tend to have long hair hanging down their backs, which is hard on the warlike Banquo (Sean Caffrey), whose scalp is otherwise bald. We are given the "Gothic-equivalent" idiom, I would not have guessed it possible to suggest, acceptably, Gothic styles in the Academy's grand gallery, but it is. The quality of the great churches is illustrated here and there by photographs, but above all by a separate audio-visual display, which I warmly recommend - the film is very beautiful.

tor, has had the production played in half-darkness for most of the evening, like the EBC's *Dracon*. Malcolm Storry's Macbeth is tall and military, but lacks genuine concern in his speech. "How say'st thou that Macduff denies his person?" after the banquet sounds almost casual, as casual nearly as his reaction to the witches' prophecies or the unexpected vision of a dagger. Well, he may have been a casual man, though he lived up to his banquet more vigorously than most. Lady Macbeth (Deborah Molloy) can be casual too - she reads her letter without excitement, but becomes sinister in the "Unsex me"

speech. She is a more mobile, outgoing sleeper-walker than any other I recall. The place in Sally Crab's design of a featureless area surrounded by equally featureless walls that may or may not be seen, as needed. This works well, and is perhaps the reason why the lighting is kept so low. The Macbeth castle had no furniture except when the scene was giving a party - indeed it had no furniture at all. The Porter rattled through his bit without any great suggestion that it was, as it was, a satirical interlude.

Sometimes the lighting is too low; we do not see more than the

outlines of the eight Kings who are to succeed to the throne. Most of this scene has gone very excitingly, the armed head is brought up out of a vast cauldron full of well-displayed filth; the bloody child is actually born on stage to one of the witches, the child crowned is one of a little batch of titles who turn up again at the Macduff massacre. More of a fight would be an improvement in that scene; the child crowned is one of a little batch of titles who turn up again at the Macduff massacre. More of a fight would be an improvement in that scene; the child crowned is one of a little batch of titles who turn up again at the Macduff massacre.

James Larkin is a good Malcolm, a valid descendant of Peter

Copley's Duncan, with a similar way of extending both arms in a wide gesture. He and Will Knightley's hawlike Macduff make a fair thing of the scene at the English court. Macduff's climactic duels with Macbeth are fought with unusual armament. Macduff throws away his shield and uses that arm to draw a battle-axe, and both of them go in for some dirty tricks that would raise eyebrows at the AFA, such as tripping one another. I was never infected with any strong feeling of battle in these last scenes, and I do not think this was entirely due to the fact that there were only a few fighting men.

By now the cycle of Mozart piano concertos that Mitsuko Uchida is giving with the English Chamber Orchestra has well established its own distinctive character: bright and polished music-making, true to the classical tradition, but always eager to communicate. Nothing less, in fact, than one would expect from such a delightfully fresh platform personality.

At Friday night's concert they arrived at the C Minor Concerto K491. This is one of the great peaks of the whole cycle, a concerto as disturbingly oppressive as any that this composer wrote, and Uchida's playing registered

heightened sense of drama. Though the scale within which she views her Mozart remained intact, an additional power - Uchida's calmness, especially in the more tempestuous of the finale's variations. What was missing was a comparable range of expression from the orchestra. Some timeliness in the ensemble is only to be expected when the soloist doubles as conductor; but, worse than that, the playing here was content to be neat (the first movement woodwind theme was pedantically clipped into shape) where one wants sympathetic phrasing. It was all a world away from the first violinist's desk, but support on the whole was pretty limp. How abrasive Hogwood and his original instrument colleagues seem by comparison.

demands of this kind are made. This is music that looks relatively straightforward on the page and the pleasure to be had from Uchida's playing comes in discovering how much more (the range of tone colours, the variety of emphases) she can see in it. Indeed some of the solo passages went too far: there is no need to spin out cadenzas or decorative lead-ins to quite this extent.

A couple of purely orchestral encores, the *Serenade* K299 and *Four Contrabasses* K387 - completed an all-Mozart programme. In these Jose-Luis Garcia provided a firm lead from the first violinist's desk, but support on the whole was pretty limp. How abrasive Hogwood and his original instrument colleagues seem by comparison.

## Arts guide

November 6-12

## Opera and ballet

## PARIS

London Festival Ballet at the Theatre des Champs Elysees (4720383). Houston Grand Opera with Sherrin M. Goldman, Fergie and Bess at the TNP Chatelet (42354444).

## WEST GERMANY

Berlin Deutsche Oper. Alvin Ailey American Dance Theatre, (84381) Hamburg Staatsoper. Don Pasquale, produced by Franz Marlowen will have its premiere this week, the cast, including Paolo Montezuolo, Urban Maibach, Heidi Kwon and Kurt Bock, and Zimmermann, is also in the repertoire and the Nutsacker, choreographed by John

Neumann, is revived with Jessica Funk, Jeffrey Kirk and Stefanie Arnold (35112). Frankfurt Opera. Cost fan tette, produced by Graham Vick. In the main parts are Margaret Marshall, Diana Montague, Olaf Bar, Ray Stenzel, Tom Krause and Mitsuko Uchida. Gluck's rarely played *Alceste* with Auris and intelligent auf Tauris round off the programme. (26821).

Cologne Opera. Die Meistersinger von Nürnberg, with Nadine Secunde, Hans-Joachim Bechtel and Robert Hofstaal. Also a Festival Of Voices with Gabriela Benavente Cap, Tatjana Truganova, Rose van den and Peter Dronky. *Pique Dame* in Rudolf Noth's production and *Eine Florentinische Tragödie*/Gianfranco Schicchi. (30761).

Stuttgart Württembergisches Staatstheater. Die Soldaten has fine interpretations by Nadine Secunde, Mila Vargas, Grace Hoffman, Guy Renard and Klaus Ritt. Die Entführung aus dem Serail stars Kristina Loh, Jytsko Kalk, Uwe Henning and Helmut Berger. Tuna. (26221).

## ITALY

Turin Teatro Regio. Siegfried, sung in German, conducted by Zoltan Pasko and directed by Gianfranco de Bozio. Scenery by Attila Kovacs and costumes by Suzanne Call. In the cast are Boris Bakov, Gerd Brenneis, Graham Clark, Helma Klans Ecker and Otun Wenkel. (248500). Trieste Teatro Comunale. Carmen, sung in French, with Alphonse de Vaughn in the title role. Conducted by Hubert Soudant. Mascagni's *L'Aida* conducted by Eraldo Pigo and directed by Mario Zanotta. (861948).

## NETHERLANDS

Rotterdam Schouwburg. The Introduction in Ed Wubbe's new choreography of Carmina Burana (Wed) (11 11 22).

Amsterdam Muziektheater. Donizetti's Don Pasquale performed by the Netherlands Opera directed by Renato Achermann. Bruno Campanella conducting the Netherlands Philharmonic, with Henk Smit, Christine Barbaux, William Shinnell and Raul Gimenez (Wed). (250 455).

## NEW YORK

Metropolitan Opera (Opera House). The premiere of Fabrizio Melano's new production of Il Trovatore highlights the week. Richard Bonynge conducts, with Joan Sutherland, Florence Coseletto and Luciano Favaroni. Continuing are Franco Zeffirelli's production of La Bohème conducted by Julius Rudel with Roberto Alexander and Brian Schebnayder. Otto Schenk's production of Die Walküre, conducted

by James Levine with Hildegard Behrens, Timothy Jenkins and Hans Sotin; and Franco Zeffirelli's production of Tosca, conducted by Christian Bada with Eva Marton, Sherrill Milnes and Italo Tajo. Lincoln Center (582 000).

New York City Opera. The week features Jack Hoffs's production of The Student Prince conducted by Paul Gemignani, with Leigh Munro, Dominic Coss and Jon Garrison in the title role. The final production of the season will be a double bill of Mozart's The Gosses of Cairo and Oliver Knussen's Where the Wild Things Are. (870 5570).

Jeffrey Ballet (City Center). The month long schedule continues with three premieres, including a Robert Jeffrey Nutsacker, Nijinsky's Le Sacre du Printemps and Three Preludes by Ben Stevenson set to Rachmaninoff, along with Frederick Ashton's La Fille Mal Gardée and nearly two dozen repertory favourites. 55th St. east of 7th AV. (947 5830).

Chinese Festival of Song and Dance (Joyce). Troop of 40 acrobats, musicians and dancers do their stuff, including spinning bowls of water, horse bell dance and juggling with fire. 175 8th AV at 15th St. (242 6007).

## WASHINGTON

Washington Opera (Opera House). The 22nd season opens with Romeo et Juliette conducted by Cal Stewart Kellogg, featuring Angela Maria Rinaldi and Neil Wilson in the title roles. Kennedy Center (254 3770).

## TOKYO

Deutsche Oper Berlin, director Gutz Friedrich, orchestra conducted by Jesus Lopez Cobo. Die Walküre (Tue) Siegfried (Thu). Soloists include, Catarina Ligendza, Julia Varady, Rene Kollo, Don McIntyre, John Dobson. Tokyo Bunka Kaikan (725 8838).

Paris Opera Chorographic Research Group. (Wed, Thur) (381 5498).

## Saleroom/Antony Thorncroft

## Tricky times in Geneva

The hoteliers of Geneva must be raising their glasses this week to the London auction houses. All the big three - Sotheby's, Christie's, and Phillips, have booked their public rooms for a spate of sales. And the new force in the international art market, Habsburg Feldman, is also holding its first major series of auctions there, at the Noga Hilton.

Judging by the first batch of auctions the hotel business is doing better than the antiques. Christie's kicked off over the week end with sales of modern *Illustrated books and 20th century decorative arts* (often at tricky market) and of wine (usually a good one). In the event both sales did badly.

The artifacts totalled £146,188 (368,160 Swiss francs), with 39 per cent unsold, and the wine brought in £127,911 with 36 per cent unsold. There was one high price, the £76,326 paid by a private European buyer for the autograph manuscript of Paul Verlaine's "Poemes et proses". A private American buyer secured a copy of Baudelaire's "Les Fleurs du mal" with 36 per cent unsold. There was one high price, the £76,326 paid by a private European buyer for the autograph manuscript of Paul Verlaine's "Poemes et proses". A private American buyer secured a copy of Baudelaire's "Les Fleurs du mal" with 36 per cent unsold. There was one high price, the £76,326 paid by a private European buyer for the autograph manuscript of Paul Verlaine's "Poemes et proses".

Mouton Rothschild 1946. Habsburg Feldman was also offering 20th century art and modern illustrated books, and met some problems. Its star lot, an internally decorated applied and engraved glass ewer known as "Lorge", by Galie, estimated at over \$60,000, was unsold, probably because it had been repaired when one of the choicest items in its auction of continental ceramics, a brown Böttger stoneware teapot and cover of around 1720, was smashed by an over enthusiastic potential buyer at the view. Since it was valued around \$15,000 someone will be sweating. This spate the sale went fairly well, totalling \$318,882, with just over 20 per cent unsold.

Top price was the \$21,915 paid by the dealer Kate Foster on behalf of the National Museum of Wales for a Vienna jardiniere (flower pot) made in 1817 and decorated by the celebrated Josef Nigg. Whisky salvaged from the wreck of the SS Politician, the inspiration for Compton Mackenzie's novel Whisky Galore, is to be sold by Christie's in Edinburgh tomorrow. It was salvaged this year from the vessel which foundered in 1941 off the Hebrides. Each of the eight bottles on offer is estimated at \$260, but there is no guarantee that they will drinkable.

## War Requiem/Festival Hall

Paul Driver

The memorable and artistically weighty series of concerts given by the London Symphony Orchestra at the Festival Hall and Barbican Hall in honour of Maslavl Rostropovich's 60th birthday came to an end on Remembrance Sunday with the performance, conducted by him, appropriately of Britten's *War Requiem* at the Festival Hall.

He was actually one of three conductors of it - Michael Crabb directed the Southend Boys Choir (positioned unusually on one side and in the middle of the auditorium) and Richard Hickox, who is in charge of the LSO Chorus, was conducting the Chamber Orchestra which the work requires, and prominently situated to the immediate right of Rostropovich.

Thus the performance was manifestly a collaborative effort, and if some of the mystique attached to the star conductor, Rostropovich was here with held (Hickox was solely responsible for large portions of the per-

formance), that is hardly likely to have worried Rostropovich, for one. In most performances of this work which I have seen, however, a separate conductor for the chamber band has not been deemed necessary.

The music-making was strong and eloquent enough throughout the evening to ensure that Britten's masterpiece worked a powerful emotional spell, yet there were few moments of overwhelming distinction, either from the soloists or the massed choral and instrumental forces. Certainly not from the brass section - which was seriously sloppy in a passage of the Dies irae which relies on them. There was a touch of routiness or sloppiness in the playing of most of the sections; the boy choir was elegantly functional but no more; the main choir was sturdy but not momentous. A sense of occasion, which one would have thought was here with the date (the date, the end of the Rostropovich series) failed to be

communicated in strictly musical terms, which is not to say that the performance was not moving and fine up to a certain point.

The soloists were an immensely distinguished team, singing at something less than their dramatic and atmospheric best. Heather Harper had enormous authority - and a beautiful sound - in the soprano role which she herself created at the work's premiere in Coventry Cathedral in 1962, but not quite the electric imperiousness or spark that one also listens for. John Shirley-Quirk's baritone contribution was one that seemed to rest on its laurels and be in need of the occasional and unforfeiting prod, in due with the effort. He lacked the dramatic immediacy supplied by the former, whose performance - incisive, in the extreme, heartfelt, vividly alive - afforded the evening's moments of real intensity and its chief interest.

## Krystian Zimerman/Barbican Hall

David Murray

Starting a piano recital after Sunday lunch with the four Schubert Impromptus D. 899 seemed a risk, for those amiable pieces contain plenty of little murmuring-brook music and little to seize a drowsy ear. In the circumstances Zimerman took the most daring way with them: no very prominent sparkle or tricky virtuosity, but even in the "Rondeau" Impromptu or the sprightly last one - but straight, fastidiously gentle exposition. The natural domestic scale of the pieces was nicely respected, better than any of the more expansive, unguarded playing that the title invites.

No reservations at all about Zimerman's superb account of Liszt's B minor Sonata, though if you absolutely require thunderbolts and malicious diabolism in the Sonata you might have missed them. In fact it was con-

tinuously exciting (as tirelessly brilliant in the first movement, especially the quasi-fugue, as one is likely to hear), with a grand dramatic silhouette and no mere bombast.

Zimerman's taut concentration was unyielding, and he could convey Liszt's intense and various passions with robustly reasoned, if sardonic humour - any kind of humour - isn't an evident component of the Zimerman persona, the diamond glimmer of his *prestos* passages dazzled better than any but the most superior high-Romantic diabolism. One of these days he may even achieve that, but the formidable virtues of this performance were more than enough to be going on with. The heartfelt Szymanowski encore he offered made one eager to hear him in more of his compatriot's music.

## Annie Fischer/Elizabeth Hall

Richard Fairman

It is three years since the Hungarian pianist Annie Fischer gave her much-acclaimed Beethoven series in London. For this visit, in the recent past, there may have been finger-slips that brought a few wrong notes, there are now handfuls of them; and in the blithe G major Sonata Op. 101 No. 3, as the music of sensuous quavers tumbled over each other, her lack of control threatened to slide into incoherence - not a danger that had seemed at all worryingly imminent before.

So it was with rather mixed feelings that one approached the *Appassionata* Sonata, the most demanding item on the programme. Yet here, happily, her artistry rose to an altogether higher level. The technical slips

fire will burn as brightly and as fiercely as it ever did. This is not to say, however, that time has left her untouched. Where, in the recent past, there may have been finger-slips that brought a few wrong notes, there are now handfuls of them; and in the blithe G major Sonata Op. 101 No. 3, as the music of sensuous quavers tumbled over each other, her lack of control threatened to slide into incoherence - not a danger that had seemed at all worryingly imminent before.

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receded; and the pianist and her music met on equal ground, for this (of all sonatas) is an all-or-nothing piece, at this stage of her career Annie Fischer is very much an all-or-nothing pianist.

The first movement carried all before it with playing of immense power and intensity. Then, after the relative calm of the Andante, the Finale (with repeat) took up the attack again with even more urgent intensity. How different it was from Bartok earlier in the year, all of whose force and energy had left the music unmoved. Here one ended the performance exhausted and triumphant, a sure sign that the Beethovenian colossus has been felt once and for all.

## Mitsuko Uchida/Festival Hall

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Tuesday November 10 1987

# A truce on Brazil's debt

A FLARE UP of the Third World debt crisis is just what the world economy does not need in the wake of the worst turbulence in financial markets for six decades.

In today's special circumstances, therefore, the interim agreement reached by Brazil and its commercial bank creditors is to be welcomed. By agreeing to finance two-thirds of the interest due between October and January the banks have averted a costly downgrading of their Brazilian loans.

For its part, Brazil has lifted its debt service moratorium and made encouraging noises about a rapprochement with the IMF. The mutual concessions represent a step forward but are far from a resolution of the deep differences that still divide the two sides.

The prospects for a long-term agreement next year are, at best, mixed. The authority of the negotiating team led by Mr Luis Carlos Bresser Pereira must be considered doubtful given the political turmoil in Brazil and the weakening of support for President Sarney.

Mr Pereira is doubtless serious in seeking some form of agreement with the IMF but it is far from clear that detailed supervision will be politically acceptable in present circumstances. The likelihood is that the banks will have to accept the legitimacy of a home grown economic adjustment programme.

## Domestic demand

It is hard to envisage what shape this will take. The Brazilian economy, following the failure of the cruzado plan, remains far from equilibrium. Inflation has surged to an annual rate of almost 200 per cent. The public sector deficit is soaring. Growth is slumping to 2 per cent at a time when GNP increases of 8 per cent a year are required just to keep pace with a rapidly expanding labour force.

The performance on visible trade has, admittedly, been impressive with the 12-month surplus rising towards \$10bn - a figure reminiscent of pre-cruzado plan out-turns. However, the stability of the surplus is open to question. If the Sarney administration is forced to concede the huge wage increases being sought by vociferous labour representatives, domestic demand will surge again, as it did in 1986, and erode Brazil's ability to service debt.

The reality that Brazil's credit-

ors may have to face is that no government that is capable of holding power in Brasilia will be able to implement the kind of austerity measures necessary to stabilise the economy. Measures may have to be taken that ease the short-run burden of Brazil's external debt.

This does not mean that banks have to accept explicit written offers but it does mean that they may have to accept a restructuring of the debt that considerably reduces the short-run burden of interest. Such a constructive reappraisal of the structure of Brazil's liabilities - and those of other big debtors - is possible in the light of the much higher loan loss reserves announced last summer.

## Social unrest

A substantial restructuring of Latin American debt burdens would greatly facilitate a return to economic stability in the region.

As many academic economists now concede, it is extremely difficult simultaneously to curb inflation, promote growth and meet heavy debt repayments. Debt service obligations drain savings out of domestic economies and compromise efforts to boost domestic investment. At the same time, they impose demands on public sectors that cannot be met by taxation: the result is excessive money creation and accelerating inflation. This in turn causes explosive wage demands and considerable social unrest.

A long-term solution to the Third World debt crisis is more necessary than ever following the collapse of world equity markets and the recognition that the US must rapidly take steps to curb its imbalances.

Given the improbability of sizeable expansionary moves in the surplus countries, US adjustment almost certainly means slower world growth. It is thus possible that the positive impact of falling interest rates will be outweighed for the debtors by a contraction of their export markets and a renewed softening of commodity prices. The industrialised countries are understandably absorbed by their own problems at present. But if the global economic environment deteriorates they need to be ready to cope with defaults in the Third World. This requires a willingness to think strategically. Ad hoc deals such as the agreed with Brazil provide a breathing space, but not a solution.

# Road to reform in Tunisia

ALTHOUGH THE new Tunisian president, Mr Zine El Abidine Ben Ali, holds the rank of general in his country's army, it would be wrong to regard what happened in Tunis last Saturday as a military coup.

Article 57 of the Tunisian constitution specifically caters for a situation in which the state of health of the president no longer allows him to continue in office. Mr Ben Ali was careful to follow the constitutional procedure in asking the state procurator to declare that this situation had arisen and the government had first consulted the government (of which he, Mr Ben Ali, was the head), the leadership of the ruling Socialist Destour Party and the generals.

It was said that President Bourguiba, the hero of Tunisia's national independence, should end his reign like this after 30 years and it should not have been necessary. In a democratic country Mr Bourguiba would have been obliged to stand down years ago. His slow descent into senility had been a considerable damage to the country.

As Mr Ben Ali rightly said, when announcing that he would seek a revision of the constitution: "The times in which we live cannot tolerate that someone should be elected president for life."

It was refreshing, too, to hear the new president declare that 7.5m Tunisians were mature enough to be enabled to vote for more than one party, and to read newspapers expressing different political views. That approach is all too rare among Arab leaders but will certainly be welcomed by the vast majority of Tunisians.

## Austerity policies

Implicitly, and rightly, Mr Ben Ali was admitting that the country's political institutions had been outdistanced by the economic and social changes of recent years. Tunisians had to accept a system in which ministers could be appointed one day and sacked the next and power depended solely on the favour of one increasingly ailing man. Several factors encourage op-

timism about the future of a country which, though part of the Arab world, is in many respects closer to southern Europe.

First, the new head of state has proclaimed some essential truths about the state of the country and has spelt out in no uncertain words his desire to end the monopoly of power exercised by the PSD since 1957. Second, it is worth noting the quality and integrity of the senior ministers - especially the new prime minister, Mr Hedi Ben Ammar - and the government having first consulted the government (of which he, Mr Ben Ali, was the head), the leadership of the ruling Socialist Destour Party and the generals.

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timism about the future of a country which, though part of the Arab world, is in many respects closer to southern Europe.

Although working practices in the UK car industry have been transformed, there is still a long way to go. Charles Leadbeater reports

# Part II of the revolution

UNION OFFICIALS and Ford UK's industrial relations managers will gather tomorrow in a drab looking building in West London to discuss one of the British car industry's most significant wages and conditions agreements.

Ford is seeking a three-year settlement incorporating far-reaching changes to shop-floor practices, such as team working and the introduction of groups akin to "quality circles" - a technique which involves workers at all levels in discussions on raising standards. The talks will provide a crucial test of whether the company's drive to reshape work and production methods - mirrored by all the major UK producers - can be maintained, or whether the unions will balk at further change.

In the last three years, all the major companies - Ford, Vauxhall (the UK volume car division of General Motors), the state-owned Austin Rover group and Peugeot Talbot - have transformed working practices. Production workers now have more responsibility for quality control. They carry out a wider range of tasks, including simple maintenance, cleaning and ensuring a proper supply of materials to their work stations, and work in different parts of the plant rather than in one place.

And in the quest for greater efficiency, skilled workers such as electricians and fitters are being pressed to work more flexibly - although full multi-skilling is still rare. But while companies believe in the importance of these breakthroughs, they are also aware of a backdrop of recession and dramatic manpower reductions in the industry, they recognise that they are only the prelude to what must be a permanent revolution.

As Mr John Hougham, director of industrial relations at Ford, told union negotiators 12 days ago when presenting them with the radical three-year offer: "Last time we negotiated on wages (in 1985) we had traded at an operating loss in 1984, the culmination of a reduction in profits over the previous 1979. It was a question of survival."

"As a result of what we have been able to achieve together during the past 18 months, we believe we can allow ourselves a degree of cautious optimism. The trend is good, but we have a long way to go before we can feel really secure about our long-term future."

Whether the UK volume car producers can turn early gains into the foundations for permanent reform will be shown in the next few months. In parallel with Ford, Vauxhall is embarking on union negotiations to be followed by Peugeot Talbot and Austin Rover next year.

International comparisons have focused on the Japanese, but the UK car industry's relative weaknesses in

performance. The competitive advantage of Japanese producers was familiar long before the opening of Nissan's streamlined plant in the north-east of England. Vauxhall, Ford and Peugeot Talbot all had the yardstick of their more efficient continental plants to show up deficiencies in the UK.

In the search to improve competitiveness, companies have sought a more sophisticated approach to industrial relations. They believe that much improved communication with employees has been vital in securing worker acquiescence to change.

Workers at Peugeot Talbot's plant at Ryton, near Coventry, were amazed when the company stopped the track for the first time in 1980 to hold team briefings. Initially only a small proportion of workers believed the information supplied, but last year a survey found that 80 per cent trusted what the company said.

The greater openness has lent a more positive backdrop to the conduct of industrial relations. Mr David Young, head of industrial relations at Vauxhall, explains: "Unions will only press an issue if they have their men-

**'It used to be easy to hate managers. Now it's more difficult because they are cleverer'**

bers behind them. Workers will only get worked up over an issue if they feel the company has done something wrong or underhand. The task for company communications is to make sure that workers know why the company is doing what it is doing. As long as workers can see the justification for a change, it is unlikely they will take action over it. Combined with the introduction of pre-strike ballots, this has fundamentally changed the unions' approach."

Officially, the more ambivalent about the significance of these communications programmes. Mr Jimmy Airlie, the senior Austin Rover negotiator, says: "Whether the UK volume car producers can turn early gains into the foundations for permanent reform will be shown in the next few months. In parallel with Ford, Vauxhall is embarking on union negotiations to be followed by Peugeot Talbot and Austin Rover next year."

International comparisons have focused on the Japanese, but the UK car industry's relative weaknesses in

on top of basic wage increases. However, the improvements have been accompanied by greater managerial assertiveness.

Mr Norman Haslam, director of industrial relations at Austin Rover, says: "Management abdicated responsibility for a lot of things in the 1970s, it was that which gave unions such power. We have had to become a lot clearer about our objectives."

The unions have contributed as well. Industrial relations managers talk of the growing realism both of national leaders and shopfloor officials.

Mr Airlie, of the AEU, puts it: "We have to take profitability into account when we bargain. It would be irresponsible not to. Better to have a job, and a job with a profitable firm, than no job at all."

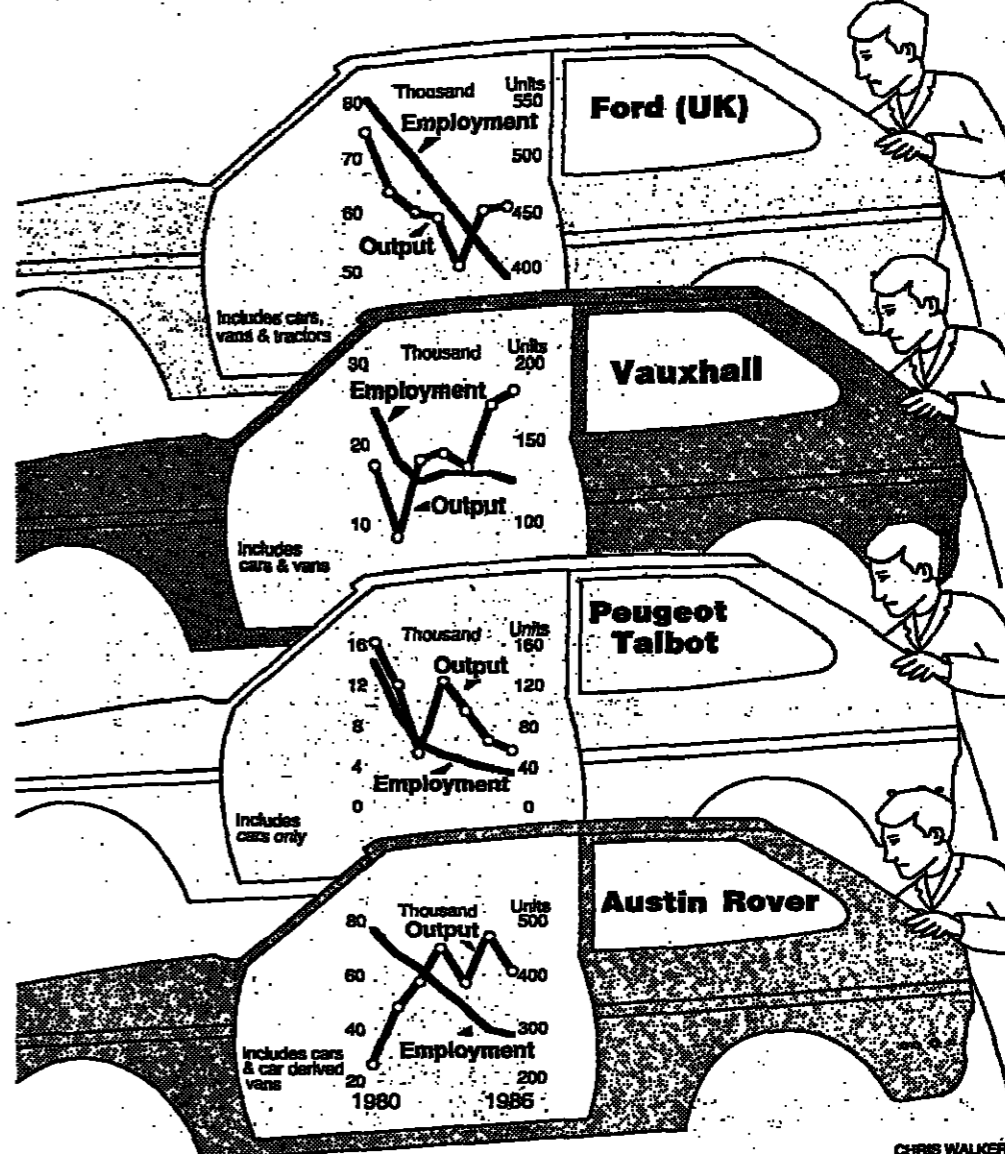
Improvements in productivity have been impressive. Six years ago, productivity at Peugeot Talbot in the UK was 30 per cent below French levels. Now it has caught up, despite a 30 per cent increase in French productivity over the period. The company's warranty repair costs have been halved by much improved quality. And industry-wide there has been a dramatic decline in the number of days lost through strikes.

But there is still a long way to go. It takes 65 per cent more hours to build a Ford Fiesta, Escort or Sierra in Britain than in West Germany. Ford's British car production is only a half times more hours than the Japanese to build a comparable vehicle.

And over the next five years, pressure on UK car makers will probably increase; the European market may decline while Japanese manufacturing capacity in Europe increases. As Ford has warned union negotiators: "If vehicle assembly is to survive in Britain, it will be necessary to produce quality vehicles at full capacity and at cost levels competitive not just with Continental plants but with the Japanese assemblers in Europe."

The two main areas for further change will be among skilled workers and supervisors. Mr Young says Vauxhall will have to "have a major go at skill demarcation lines." Flexibility within trades will be reinforced by flexibility between trades, with electricians learning electronics and mechanical skills. The company also wants to introduce a form of performance-related pay for manufacturing workers, judged on individual appraisals.

But there are limits to how far this will go. Senior managers at Jaguar, the top-of-the-range manufacturer, believe that productivity gains will come from organising specialist workers more efficiently, rather than from multi-skilling. This will increase the supervisory burden, says Mr Mike



Judge, director of industrial relations and personnel at Peugeot Talbot: "Supervisors will have an absolutely crucial role in the future as real mini-managers on the shop floor with responsibility for controlling costs. Increasingly, they will have broader spans of responsibility for areas of the plant, including different aspects of production, rather than narrow parts of the line."

Ford plans a complete overhaul of its supervisory structure, appointing group leaders to carry out many of the routine tasks that used to be done by supervisors. The unions are also drawing up their own agenda. In the claim submitted on behalf of Ford's 32,500 manual workers, the shop floor - among skilled workers, between white collar and blue collar workers, between supervisors and managers, all those things that used to mark our organisations - will pass away."

Mr Hougham, at Ford, sees a day when demarcation lines on the shop floor - among skilled workers, between white collar and blue collar workers, between supervisors and managers, all those things that used to mark our organisations - will pass away."

But none of the changes can be taken for granted. ASTMS, the white collar union representing most supervisors, says many companies have not faced up to the implications for pay, promotion, training and management style, which follow from integrating supervisors into management.

Ford's radical offer, which includes eventual harmonisation of terms and conditions for blue and white collar workers, has been seen by the manual unions as an attack on skilled workers. They would, for the first time, have to work on the production line alongside the semi-skilled workers as group leaders. The company's suggestion for quality circles to discuss improvements in standards is also likely to meet with hostility from shop stewards, who fear this will un-

dermine their authority. Union officials predict extremely hard fought negotiations: the company's offer was greeted yesterday with walkouts at Dagenham and Halewood.

And at Vauxhall, pay talks only got under way after a nine-day strike at the Luton plant over productivity bonuses. While the unions may in time accept a simpler negotiating procedure, moving towards single bargaining units for blue and white collar workers, there is no suggestion that they will become "company unions."

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## English may be grounded

Not the least of the results of the British government's current parsimonious attitude towards space spending may be that English will lose its status as the unofficial language of the European space community.

That prognosis follows from events yesterday at The Hague, where ministers from the 13-nation European Space Agency met at the start of a two-day gathering to review the case for a large increase in agency spending over the next decade. Officials from France, which is Western Europe's biggest space power, and which is ESA's biggest paymaster, have always been miffed that English is the common working language among both the 1,500 employees of ESA and the European space industry in general.

This may, however, be about to change. Partly due to the political fallout of Britain's reluctance to increase its already modest share of the ESA budget, French officials at The Hague yesterday were pointedly even more reluctant than usual to talk in English. And the point was rammed home when Prince Claus, the senior state member of the Dutch royal family, formally opened the conference with a rather good speech made, not in English as had been expected, but in French.

## Royal show

Prince Charles has every reason to feel satisfied about the prospects for an exhibition - generally believed to have been his own idea - which is being held in Birmingham today.

Two hundred young people - originally "disadvantaged" socially, economically, environmentally or physically, or just plain unemployed - who have set themselves up in business with money and advice from the Prince's Youth Business Trust, are putting their wares on show at the National Exhibition Centre.

So much interest has been generated that the list of buyers who have accepted the invita-

## Men and Matters

tion to look around would be the envy of many a professional show. Just about every man of any means in the country, from Fortnum and Mason to Tesco, will be represented.

About 90 of the stands are devoted to fashion but a wide spectrum of activities is covered, including that of one young man's enterprise, a company called "Crawflies," which breeds and sells such things as scorpions, giant millipedes, red velvet mites, spiders and African grasshoppers.

Not quite Fortnum and Mason's cup of Earl Grey, perhaps, or home, but the 25-year-old budding businessman responsible, Stephen Hurley, from Dudley, seems to be making a success of it.

## Third term

Edouard Saouma, who was re-elected yesterday as director-general of the United Nations Food and Agriculture Organisation (FAO), is a short, dapper, and tough Lebanese who overcame fierce criticism from several donor countries to obtain an unprecedented third term.

In his 13 years as FAO chief, Saouma has presided over the agency during one of its greatest challenges - the 1984 Ethiopian famine, the worst in African history.

Some seven million tonnes of food were amassed worldwide for the emergency, and the agency helped organise a \$250m recovery programme for 25 drought-stricken countries in Africa.

But Saouma's critics, notably Canada, said the director-general was too slow in approving emergency relief for Ethiopia and did not take the lead in the relief effort as it had in the 1970s.



After his election to the post in 1975, Saouma worked to increase FAO's role in development, reduce administrative costs and streamline decision-making.

The US State Department, despite its open support for his election rival, Benin's Moise Mensah, acknowledged Saouma had done an excellent job managing the organisation and keeping internal programme discipline.

Saouma also took credit for instituting World Food Day in 1979 which on every October 16 publicises the work of the world's small farmers, foresters and fishermen.

A graduate in agricultural engineering and agricultural chemistry and a linguist, Saouma represented the Lebanese government at FAO for almost

10 years in the late 1950s. In 1961, he was elected unopposed for a second six-year term as director-general. But during his recent campaign, his management style and a perceived attack with many donor countries accusing him of being autocratic, imperious, and egocentric.

## Jury rig

Since quitting the woolpack, Lord Havers, the former Lord Chancellor, has highlighted the case of the FT to those who want to escape the rigours of jury service.

The formula he recommends is to turn up in a smart suit and a copy of the FT under your arm - and a peremptory challenge by the defence is reasonably certain to follow.

So that none of our readers is misled it might be as well to remind the old maxim - legal advice is worth what you pay for it. They should also note that the right of peremptory challenge is set to disappear when the Criminal Justice Bill becomes law.

## Each way bet

The latest investment recommendations from the bank stock analysts at Barclays de Zoete Wedd are most interesting. Their Banking Bulletin advises holders of Lloyds Bank shares to switch into Midland Bank. Yet on another page Midland shareholders are advised to switch into Lloyds. The crash has evidently opened up some unprecedented trading opportunities.

## Typicast

The Japanese are evidently as sceptical about the true value of Permanent Secretaries - the Sir Humphrey Appleby, who runs the Civil Service - as are addicts of Yes, Prime Minister. Malcolm Rifkind, the Scottish Secretary, told a Scottish audience last week that on his recent trip to Japan, the Japanese interpreter translated Permanent Secretary as "everlasting typist."

Observer

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## Ireland has been dazed and horrified by the events at Enniskillen.

### Hugh Carnegy looks at the aftermath of the bombing

IT IS NOT often that spokesmen for Sinn Féin appear rattled by the actions of the IRA.

Most IRA shootings, bombings and other attacks in Northern Ireland are catalogued in triumphant terms in Republican News, the party weekly, under the headline 'War News', reflecting the closeness of the sister organisations whose memberships in many shadowy cases overlap.

For most of yesterday, however, officials of Sinn Féin - the IRA's political wing - from President Gerry Adams downwards, were either avoiding making comments on Sunday's brutal Remembrance Day bombing in Enniskillen or spluttering sympathy for the victims.

More than 24 hours after the event, the IRA finally admitted responsibility, offering deep regret at the 'catastrophic consequences' of a bomb it said blew up without being triggered. It suggested British army electrical scanning devices might have set it off and said the device was intended not for civilians but 'crown forces'.

This and Mr Adams' statement that he regretted the bombing 'very much', will come as no comfort to the victims of the explosion and their friends, to whom he offered condolences. But the IRA/Sinn Féin reaction is significant.

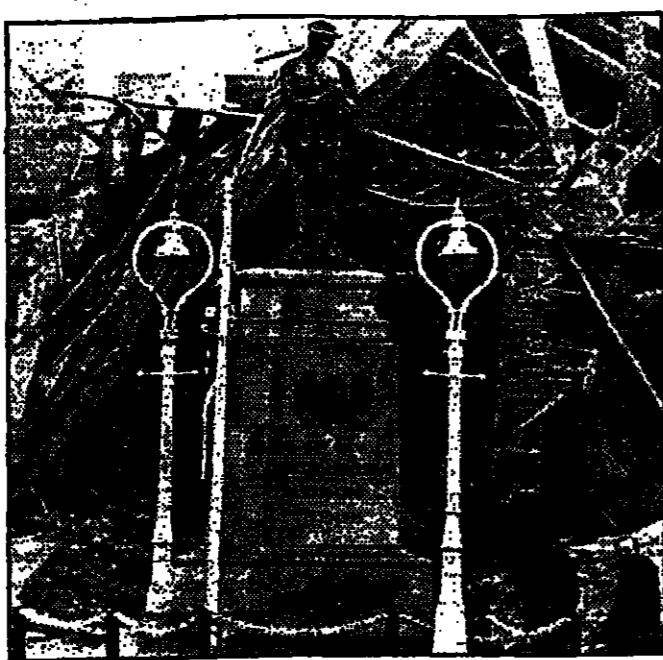
Such public apologies are very rare, the last coming when an IRA unit planted a bomb outside Harrods store in London just before Christmas in 1983 killing six people.

The convention is that figures like Mr Adams do not, in effect, criticise IRA actions. As he said of IRA dead in his speech to the annual Sinn Féin conference in Dublin at the beginning of the month, 'We will never desert those volunteers in life or death. It is too little to ask that in the coming year we advance the struggle in which they died'.

But as the Sinn Féin reactions to the bombing suggest, the recent publicly proclaimed strategy for 'advancing the struggle' does not stretch to outages as awful as Enniskillen. The distinction is a fine one but it is important within the gruesome world of the IRA.

The IRA has avoided indiscriminate killing of civilians for some years, again the distinction is a fine one but it is important within the gruesome world of the IRA.

Killing and maiming civilians was reckoned to hinder the Republican cause because - as commentators have pointed out - in believing will happen after Enniskillen - such actions alienated many Irish nationalists who otherwise were sympathetic.



## Sinn Féin's heart of darkness

to the IRA. A key element to the recent thrust of Sinn Féin/IRA policy has been the building of a wider conventional political base by championing welfare and other issues in the North and especially in the Republic, where Mr Adams is keen to broaden the party's campaign, despite its dismal showing in last February's general election. This can hardly be done if the IRA is involved in the murder of innocent civilians.

Nevertheless yesterday's statement will not dispel speculation that there are tensions within the IRA over tactics. Mr Adams and his supporters have always had to perform a delicate balancing act in pursuing their joint 'armalite and ballot box' policy because of pressures from hardliners that the party's campaign inevitably saps military energies. The series of setbacks suffered by the IRA in recent months must have exasperated many of its 'volunteers'.

The year started well for the IRA. In the first few months of 1987, after reorganising in Belfast, the IRA mounted a more

concerted series of attacks across the province that it had for some months. Then things began to go wrong. In May, eight IRA men, including some senior figures, were killed in an ambush while attacking a police station at Loughgall in County Armagh. The security forces have since uncovered several tonnes of arms on both sides of the border and the IRA has lost 13 men so far this year.

This month, a shipment of 150 tonnes of arms destined for the IRA was intercepted by French customs on the coast of Eire. Meanwhile, the Royal Ulster Constabulary has continued to clash with the IRA at the frontier. The IRA has failed to prevent shows of arms - a source of fury within the organisation. The latest Republican News devoted four pages to a critique of the IRA's failure to prevent shows of arms - a source of fury within the organisation. The latest Republican News devoted four pages to a critique of the IRA's failure to prevent shows of arms - a source of fury within the organisation.

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nap escapee in the Republic carried out by a former IRA man, Dessie O'Hare - who, although no longer a member of the organisation, is still perceived as being linked to the Republican movement.

The O'Hare gang's treatment of dentist John O'Grady, hacking off his little fingers with a hammer and chisel and then fleeing from the police in a series of violent incidents, caused a wave of revulsion in the public against violent republicanism - a revolution now compounded by Enniskillen.

Dublin has been dazed, frightened and horrified by these happenings as never before, according to a senior official at the Foreign Ministry.

Crucially, from a British point of view, the killings have helped swing opinion on the key issue of extradition, which previously threatened to damage relations between Dublin and London in the approach to the two year Anglo-Irish Agreement on November 15, 1985.

The Fianna Fail government of Mr Charles Haughey has faced opposition to ratification of new extradition laws designed to smooth the process of extraditing republican gunmen to the North, due to come into effect on December 1. A few weeks ago, the Foreign Office was told that Mr Haughey (somewhat reluctantly) given his desire to keep relations with Mrs Thatcher sweet) would bow to that pressure and block the bill which London so earnestly wants implemented.

Now the chances are much better that it will go through on a wave of horror at the excesses of republican violence, although officials caution that the issue is not determined yet. Dublin remains dissatisfied with the linked issue of judicial reform in Northern Ireland. What Irish officials regard as the 'painful rate of progress' in reforming the one-judge, non-jury courts by Britain still sticks in the Dublin throat.

In whatever direction the political ripple from Enniskillen spread, the Unionists in Northern Ireland know better than anyone that 1987 has been a grim year. Some 67 people have died in the north so far this year, compared with 61 in the whole of 1986.

For two years, Unionists have complained, more in anguish than with relish, that the Anglo-Irish Agreement has failed in its aim of improving security. The statistics, and especially the ghastly scenes in Enniskillen, give their isolated cry credibility.

They face a hard task in making their two-year-old promises to the Unionists stick.

ONE OF THE traditional activities of the members of the NATO alliance is that of whistling in the dark: sometimes they do it in unison, and sometimes in harmony, but always very earnestly. Last week in California, however, they gave a performance which rang so discordantly false as to be almost comical.

The Atlantic Alliance is faced with the imminent prospect of a summit in Washington, at which Mr Reagan and Mr Gorbachev will mark a new phase in the post-war history of East-West relations by signing an agreement to do away with a whole category of intermediate-range Nuclear Force (INF) missiles based in Europe. But instead of rejoicing at the peaceful implications of this great act of statesmanship, the allies go round sounding as if they had swallowed a battery of fevered frogs.

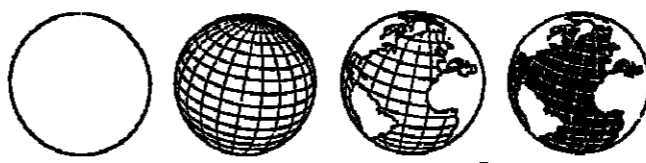
President Reagan tried to console his European allies for his triumph in the gentle art of arms control, by promising them that the US commitment to the defence of Europe was still, after all, 'unshakable', and continued to rest on Washington's 'steadfast nuclear guarantee'.

Coming from a President who has done his best to call in question the morality of nuclear deterrence, and who was ostensibly prepared a year ago at Reykjavik to negotiate the removal of all ballistic nuclear weapons, such assurances may have at best an uncertain value.

But Mr George Younger, the British Defence Secretary, took a grip on himself, rose manfully to the strains of the occasion, and announced to the world at large and to his European colleagues: 'It is now up to us to make sure that we strongly support the INF deal'. The newspaper accounts tactfully did not actually state that he choked back a sob or two, but the very words conveyed the effort of putting loyalty to the Americans above his regret at the loss of the Euro-missiles.

In reality, of course, the European NATO Ministers were giving the purpose of their meeting in Monterey was to discuss whether they could circumvent the Euro-missile agreement by modernising or introducing other types of nuclear weapons.

Their conditioned reflex is understandable. For the past 20 years NATO has worked on the premise that it must deploy a gamut of short and medium-range nuclear weapons to compensate for the Warsaw Pact's conventional superiority; for the past eight years it has been working towards a variant of this premise, the removal of Soviet medium-range missiles from Europe. Suddenly the superpowers have pulled



FOREIGN AFFAIRS

## Europe pines for the good old days

the rug from under these two premises, and the Ministers and the military are struggling to reconstruct a replacement for what they had before.

If there is military and practical logic in a ladder of nuclear escalation, which extends from battlefield artillery through short-range and medium-range missiles to central strategic systems, then the military planners are right to be disturbed if the whole of one rung of the ladder is abruptly whisked away. For this reason, many people believed that a stand-alone Euro-missile deal would make no sense to the military planners of either superpower.

terrifying confrontation - but which did not fundamentally alter the essentially aggressive terms of the East-West relationship.

If, on the other side of the mirror, Richard Nixon had proposed and Leonid Brezhnev had accepted, a Euro-missile deal like the one we face today, no doubt it would have been welcomed as a statesmanlike contribution to the process of détente: it would have enabled the superpowers to contain their confrontation, but would not have fundamentally altered a relationship which had become less overtly aggressive than in the 1950s and 1960s, but was still

## Ian Davidson finds America's allies short of a coherent response to nuclear disarmament

In the end, however, political imperatives prevailed over military logic. A Euro-missile deal was easy to define, quick to negotiate, and seductive to display both Reagan and Gorbachev needed it.

This victory of the political imperatives of the superpowers, makes the specifically and insistently nuclear obsession of some of the European allies look not merely out of step but out of place, a belated attempt to twist the clock back to the good old days when Europe could rely both on the Americans and on nuclear deterrence to maintain the East-West balance.

When John Kennedy sealed the settlement on the Cuba crisis with an unpublicised promise to match the removal of Soviet medium-range missiles from Cuba by a removal of American missiles from Turkey, anyone who knew thought it a wonderfully statesmanlike gesture which helped bring the world back from the brink of a

one of potential violence. Today, the political implications of the Euro-missile deal are much more significant than either of these historical or imaginary instances - or at least, they may be - and it is the indeterminate chasm of uncertainty between 'are' and 'may be', which makes it so difficult for the dependent European members of the Atlantic Alliance to know how to respond.

As a result of this uncertainty, however, European members of the Alliance seem to be reacting in neurotic and infantile ways, by proclaiming ever more loudly their faith in the doctrine of nuclear deterrence, and by calling ever more insistently on the US to stand by its European commitments.

These reactions are neurotic, because if Europe has a military problem, it is increasingly implausible to suppose that it can be simply handled by a narrow reliance on nuclear weapons, let alone by a narrow reliance on a particular category of

nuclear weapons. It is true, as the British and French governments never stop reminding us, that the West will need nuclear weapons for deterrence as long as there are nuclear weapons on the other side. But for better or for worse, the world has moved on, and it is no longer possible to subscribe to the simple belief that nuclear weapons are a cheap and easy way to guarantee national security.

Part of the undermining of faith in the utility of nuclear weapons can be laid at Reagan's door - Star Wars, Reykjavik, and all that. But most of it is attributable to the twin facts of superpower parity and proliferation, and the harsh reality that neither side has been able to devise a plausible scenario for using nuclear weapons.

At the same time, Europe's reactions are infantile, because its repeated demands for reassurance from the Americans are irrelevant to the real problem. In strategic terms, the idiosyncrasies of President Reagan can now be discounted. Star Wars was an immensely dangerous dream, and it may become dangerous again: but for the moment it is being stymied by its cost, by its absurdity and by the Senate's concern for arms control.

The European-American relationship is again what it was: immense mutual commitment, with an immense question mark over the nuclear element of that commitment; but as Henry Kissinger pointed out ten years ago, it is no good calling on Daddy to repeat promises he cannot possibly mean.

By contrast, it is the other side of the East-West relationship which has changed radically in terms of dialectic, and may have changed fundamentally in terms of objectives. For Mikhail Gorbachev, the Euro-missile deal is not so much a way of getting rid of those threatening Pershing II's, as a part of a larger foreign policy campaign.

Optimists may hope he is a convert to peaceful internationalism, pessimists may fear that his peace offensive is just a more reduced way of pursuing the old offensive objectives. But in either case, there is no sense in making a big public fuss about the importance of nuclear deterrence, when Europe is so profoundly divided over the role of nuclear weapons.

The Alliance is manifestly short of a coherent strategy for responding to Mikhail Gorbachev's fancy footwork: and within the Alliance the Europeans have yet to give any impression that if his political manoeuvring were to succeed in levering open a great crack between European and American interests, they would be able to get their collective act together. That would be real deterrence. But so far, the loudest noise we hear is the discordant croaking of frogs.

## Roles in the boardroom

From Mr Austin Hamilton  
Sir, The article (November 2) on company chairmanship highlighted once again the confusion over the roles and functions of board members.

In broad terms there has been a shift during the history of the joint stock company. Once the norm was a board primarily representing shareholders' interests who appointed a general manager answerable to them for the well-being of the business. Now it is much more common to have a boardroom dominated by an executive team whose management function leads them to view the shareholders' interests as but one set of factors to be considered in the business strategy.

This is the context of the debate over the appointment and functions of non-executive directors, and the ambiguities in the role of the modern chairman. Attempts to resolve the potential conflict between the two roles of the board, as management and as shareholders' representatives, generally involve recourse to American practice. This overlooks the alternative approach, based on the European model, of the dual board structure.

In this latter case the functions are clearly separated between a supervisory board and a management board. This allows each board to achieve specific goals in its well-defined area of activity. It avoids imposing conflicting, where not directly conflicting, demands on individuals without constraining their achievement of the specific ends of their particular board role.

I would suggest that the solution is not solely a matter of better statutory definition of the duties of boards, or of the obligations of specific types of directors, or of the role of the chairman. It is more fundamentally an examination of the conflicting responsibilities currently imposed on a single board. Separation of powers might in fact be the better American model to follow in this case is more clearly achieved by our European neighbours.

A. Hamilton,  
332 Stainbeck Road,  
Leeds, West Yorkshire

## Tory Party chairmanship

From Mr Eric Chalker  
Sir, Commenting on the chairmanship of the Conservative Party, Peter Riddell writes (November 6) that Mrs Thatcher has a choice between someone inside the Cabinet or someone outside. There is a third choice, however.

Mrs Thatcher could decide to bring to her own party the same democracy and accountability

## Letters to the Editor

that she clearly feels is so necessary for other organisations. She could give up the antique 'right' to make the appointment herself and hand it over to the Party's Central Council, as the Charter Movement has long argued should be the case.

The Central Council, which brings together officers of the constituency associations, parliamentary representatives and Party professionals, is ideally suited to make the choice of Party Chairman.

That representatives of the membership of the Party should choose the Party Chairman was right in principle even when the position was commonly seen as the correct title of 'Chairman of the Party Organisation'. Now that it is widely seen, as Peter Riddell describes it, as 'Chairman of the Party' (which even Mr Tebbit uses on his notepaper), there is no justification whatever for keeping this as some kind of sovereign appointment.

E. Chalker  
21 Ingleside Close,  
Beckenham, Kent

## Japanese car prices

From Mr Alasdair Smith  
Sir, Your account of my remarks at the CEPR luncheon meeting on November 3 is incorrect. I did not claim, as you report, that after the removal of voluntary export restrictions (VER) 'car prices would be lowered by 11 per cent'. In my talk I noted that the current Japanese share of the UK automobile market is 11 per cent.

Our research suggests that removing the VER would reduce Japanese car prices in the UK by about 7.5 per cent and reduce the prices of non-Japanese cars by somewhat less than this. Perhaps more important than the full effect of removing the VER is the comparison of the VER with import restrictions by tariff. You report our estimate that the VER is twice as costly a method of protection as the 'equivalent' tariff, but it should be emphasised that the extra cost of the VER comes not only from the fact that it pushes up the prices that Japanese firms may charge for their cars, but also from the fact that other firms are able to charge higher prices because of the limits placed on potential competition from the Japanese. There is a more general message about the danger of market-sharing arrangements as an instrument of trade policy.

Alasdair Smith,  
Centre for Economic Policy Research,  
6 Duke of York Street, SW1

## Investing in electricity

From Mr W. R. H. Orchard

Sir, The objections from industry to the Government investing in the CEGB's capital is astounding. For capital projects with a 25 year life, a 5 per cent rate of return represents a pay back of 14 years on capital. No industrialist would consider such a pay back appropriate for one of their investments, so why should our national capital resources be misallocated to investment in electricity supply with such appalling returns?

In Energy Efficiency Year, Peter Walker identified many areas where demand for electricity and other fuels in industry could be reduced, including options such as on-site generation in the combined heat and power mode. Many CBI members would not undertake these measures to reduce demand unless they showed a one to three year pay back period.

Public investment in electricity generation is at present a misallocation of public money. The Government would get a far better return on the capital by offering industry a 50 per cent grant to invest in the many six and seven year pay back, local generation, schemes that industry is not pursuing, than by allowing the CEGB to invest in new power stations with 14 year pay backs.

The losses the CEGB makes on supplying electricity to large consumers by bringing it on the grid, subsidising large industry. If we want lower electricity prices, the key is a lower cost of coal. If we want better allocation of capital resources, then Nigel Lawson should not be satisfied with a 5 per cent real rate of return on capital for the electricity supply industry; he should set the sort of rates of return that industry itself demands on new projects, which are between 8 per cent and 30 per cent.

If the Government required the CEGB to present a full and honest account for each of its past station projects, the public would have a better idea of the CEGB's successes and disasters. The major benefit of privatisation would be that at present the disasters are paid for by electricity consumers, whereas with private sector-led ventures the investors in the project would gain or lose.

W. R. H. Orchard,  
3 North View,  
Wimbledon Common, SW19

## Peace in the Balkans

From Mr Aleksa Gavrilovic

Sir, Judy Dempsey's article on the events in Kosovo (October 22) may give the impression that the settlement on the Serbia crisis is long-standing and the Milosevic-Pavlovic dispute should not be allowed to cloud the issues. The Serbian attitude has been best expressed in an open letter signed in January 1986 by 200 prominent citizens, members of the Serbian Academy of Sciences and Arts. University professors, authors, scientists and artists. The letter reviewed the situation in an objective way and asked that all citizens of the Balkans, Serbs and the Slav minority, should have equal rights, due to all citizens of Yugoslavia.

Ms Dempsey writes that the Republics of Croatia and Slovenia advocate 'a long term stable integration of Kosovo demands'. The problem is how to achieve this. The Albanians are not prepared to accept anything less than 'an ethnically pure Kosovo'. 30,000 Serbs were forced to leave their homeland in recent years. It is difficult to see how the Yugoslav Government could allow this to continue and at the same time safeguard the unity of the country. Considering that Bulgaria has never abandoned its claim on Eastern Serbia and Macedonia and the Albanians have aspirations beyond Kosovo, a strong and unified Yugoslavia is needed if peace is to be maintained in the Balkans.

Aleksa Gavrilovic,  
3 Rowley Avenue,  
Stafford

## BP loyalty bonuses

From Mr D. W. Moss

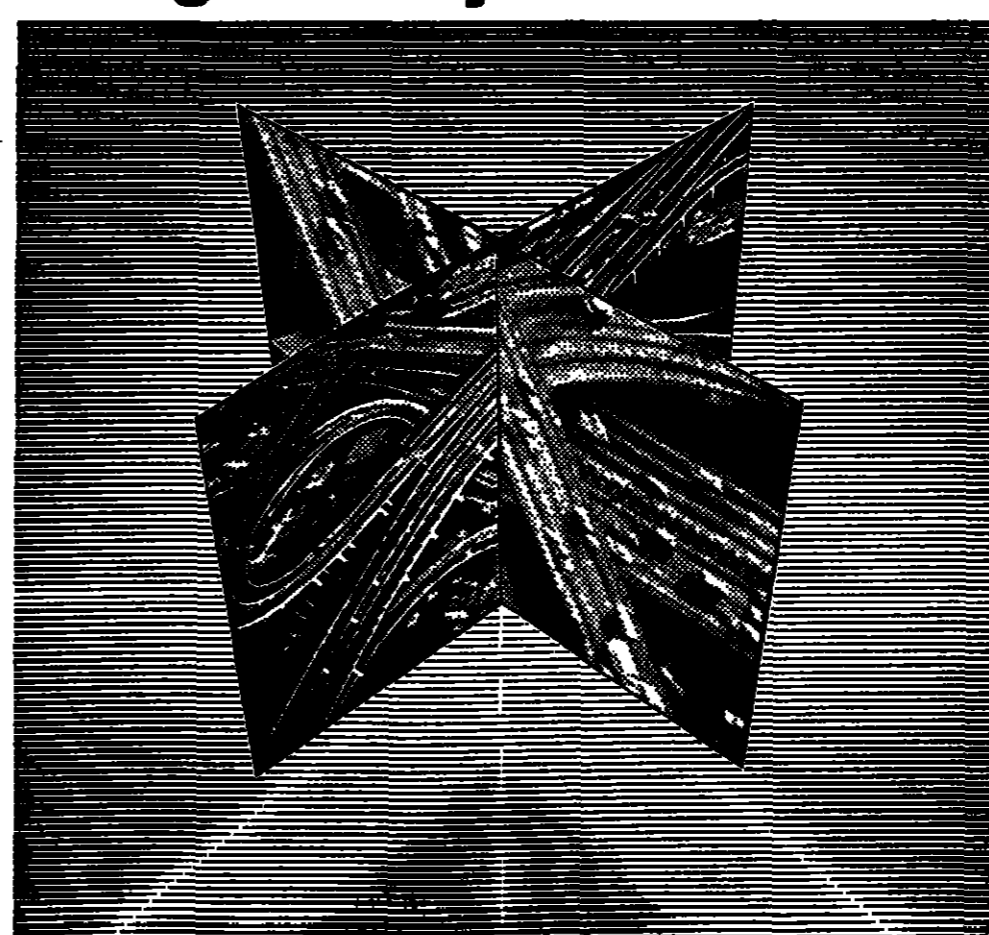
Sir, Mr Michael Plich's plea (Letters, November 4) for an increase in the loyalty bonus from a level of 1 for 10 to 3 for 10 is arguably as 'immoral' as indulging in aggressive advertising, before the event.

Surely, we must all be responsible enough to act within the rules of the game as known before participating and not expect the goal posts to be moved favourably when the play is all over.

Incidentally, the 270,000 shareholders 'duped' by the £20 million advertising hype' Mr Plich attributes to the 'power of advertising' seems to me to be a demonstration of the weakness of advertising in that it achieved only a 4 per cent positive response for a £20m investment, based on 7 million potential participants.

D W Moss,  
Rushwood, Box Lane,  
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# FINANCIAL TIMES

Tuesday November 10 1987

ANYTHING ELSE  
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## A spare \$18,868 secures a slice of NTT

A JAPANESE could today go out and buy a new Honda Accord or, for the same price, one share in Nippon Telegraph and Telephone, the country's largest telecommunications operator.

The second tranche of 1.55m NTT shares goes on sale today at a price of ¥235m (\$18,868) each, set by the Ministry of Finance yesterday.

Will the Japanese turn out in droves to buy a share in a company that offers a yield of 0.15 per cent, stands on a price/earnings ratio of 269 and

shows dubious prospects for growth?

The answer is almost certainly "yes". Despite the recent turmoil in the stock market, NTT remains an emotional issue in Japan, laden with sentimental overtones. Investors are expected to line up, not for the fundamentals, but for the feeling of owning a part of Japan.

The first tranche of NTT shares was sold earlier this year at ¥12m and immediately

BY CARLA RAPAPORT IN TOKYO

soared upwards because of the heavy demand and limited availability.

NTT instantly became the largest company in the world on the basis of market capitalisation. At one point, its market value outstripped the combined worth of the Hong Kong and West German stock exchanges.

Amid the worldwide crash in equity prices, NTT has been relatively resilient, slipping about 10 per cent in value

since mid-October. The striking price for the second tranche was put at 3 per cent less than yesterday's closing price.

"People feel they are buying a slice of Japan Inc in its most visible form, rather than just investing in a share," said Mr Peter Tashiro, an analyst with Kleinwort Benson Securities in Tokyo. "It's buying a rare slice of the industrial structure."

On more practical grounds,

brokers say that many companies aiming to do business with NTT, such as suppliers and insurance companies, are expected to pile into the issue. Unlike the first tranche, 80 per cent of this issue is expected to go to financial institutions and businesses.

Nomura, Japan's leading stockbroker, said the company already had a surplus of applicants for its allocation of shares. A survey of potential investors done before the crash showed that most believed a price of ¥235m was acceptable.

THE LEX COLUMN

## Granada takes the plunge

Finance directors up and down Britain might believe that the market crash has thrown up bargains, but it still takes nerve to be first back into the water. Granada's £224m offer for Electronic Rentals is perhaps £120m cheaper than it would have been a month ago. But in marking Granada's shares down by more than 10 per cent yesterday, the market was also conscious that Granada is offering a multiple well above its own to buy a company in a declining market.

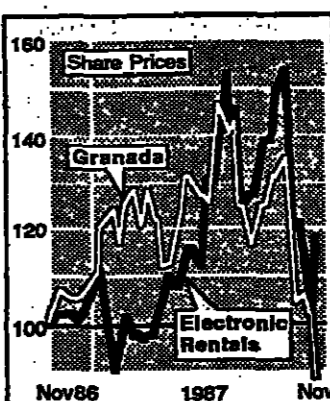
The bid, though, is ingenious. It is structured for troubled times. Offering straight equity is presumably out of the question, if only from the point of view of underwriting. The combination of cash and convertible preference shares gives both liquidity and income, and it is in the nature of a convertible to be less volatile than the underlying share; against a fall in Granada shares, there is almost a desire not to agree. Without a deal by November 20 the £224m of automatic budget cuts under the Gramm-Rudman legislation will be triggered. A reduction of that size would not satisfy the foreign exchange market, but it might be easier on the US electorate.

Left to its own devices the dollar has yet further to fall - though predicting where it will land is a pretty pointless exercise. What might bring more pressure to bear on the politicians is a renewed drop on Wall Street, and yesterday's performance was perhaps a hint of worse to come. The US September trade figures are due on Thursday. It can hardly be forgotten that the August statistics were part of the start of the crash.

### Dollar

The UK equity market seemed unimpressed yesterday by the Chancellor of the Exchequer's reassurance that the UK could ride out the storm and his proffered carrot of more interest rate cuts, and the FTSE 100 index fell 55.6 points. Lower interest rates are in any case not much use to share prices. The gilt market was more ready to act on the hint of rate hikes, though if the UK economy is not heading for recession such a loosening of monetary policy ought to raise the spectre of inflation.

For its part, the dollar was falling fast and free, unshackled by central bank support either in the market or at the



action to the fear that there is now no bottom to the dollar. The sectoral effects were also quite rationally distributed with cars - so obviously in the front line of the US wealth effect - taking the brunt, chemicals and banks coming close behind, and utilities outperforming strongly.

But despite the fresh downward revision of earnings estimates, the first-order effects of the crash ought to be less marked on the German economy than most others. The 35 per cent fall of the past three weeks also hit a market which began with little of the froth of the other worst performers. Yet, when the risk-averse domestic investors cannot be persuaded to fill in for the foreigners, despite increasingly attractive yields, market makers will go on marking down prices and doing no business. The sad thing is that prior to the crash domestic investors were just being lured in to equities in force. Now recovery seems destined to lag the markets into which Germany's foreign investors have now retreated.

### Bell & Howell

The stock markets may have collapsed, and its portfolio of investments is almost certainly worth considerably less than it was a month ago, but Mr Robert Maxwell appears to have lost none of his interest in both playing the market and establishing Maxwell Communications Corporation as a major force in the US. The latest object of his attention - Bell & Howell - fits more sensibly into his communications business than De La Rue, for example. Merrill Publishing is the biggest elementary and high school science book publisher in the US and would slot neatly into Permaplan's range of scientific publications, whilst Bell & Howell's United Microforms International is already microfilming Permaplan's technical journals.

Bell & Howell's recent record has been lacklustre and its chief executive is close to retirement, all of which has revived the interest of the shell-shocked US arbitrage community and has set it doing its sums afresh on the basis of a breakup value of over \$700m. The wealthy Bass family of Texas, the biggest shareholder, does not mount hostile takeover bids but MacMillan Inc, another large shareholder, could try to block Mr Maxwell's ambitions in order to assure its own independence.

## France and Britain clash over space plans

BY PETER MARSH IN THE HAGUE

FRANCE and Britain clashed head on yesterday over the shape of Western Europe's proposed space programme, with the UK suggesting that the 13 nations of the European Space Agency were being asked to spend large sums on projects aimed at meeting French aspirations.

Mr Kenneth Clarke, the UK Trade and Industry Minister, claimed support for Britain's views from many of the agency's members. They are debating, at a two-day meeting in The Hague, whether to raise the annual budget from \$1.7bn (\$500m) to nearly \$3bn by 1993.

"Most of the other countries don't want to pay a huge bill to meet French aspirations," he said, making it clear he objected to all three big projects which agency officials hope to start in January.

Britain yesterday formally proposed delaying until next

summer a decision on the three projects - the Columbus manned space laboratory, the Hermes mini space shuttle, and the Ariane-5 launcher - to allow agency members time to reconsider the general direction of the agency.

Mr Alain Madelin, the French Industry Minister, insisted that all three projects, which are due to cost about \$13bn by the end of the century, should start on schedule.

He said both Hermes and Columbus were essential to fulfil European aims of attaining a manned space capability independent of the US and the Soviet Union.

Ariane-5 is also crucial in French eyes. Besides carrying satellites, the rocket is also due to have the job of lifting into orbit Hermes, which would have no propulsion system of its own.

Mr Madelin also said the agency should proceed with

Columbus even if Western Europe failed to agree with the US on the terms for joining the laboratory to the core of a manned US space station due to go into orbit in the mid 1990s.

The French Minister, whose government is Western Europe's most enthusiastic space power and agency's biggest payer, providing a quarter of its budget, went out of his way not to spark a full-scale row with Britain.

He said he did not think Mr Clarke was being negative but he found the UK view that futuristic space projects should attract significant private sector cash "rather a dream".

Expanding on the UK position, Mr Clarke said the agency was "in danger of getting carried away" with having a manned space capability by the year 2000.

He said he sensed the excitement of Hermes, but could see

no commercial logic for Europe's developing its own space transport system for people, especially as the US and Soviet Union were already ahead.

Mr Clarke said he opposed the current proposal for Ariane-5, an improved version of Western Europe's existing Ariane rockets which are sold commercially, because the job of making it capable of lifting Hermes would endanger the rocket's success in its main job of lifting ordinary satellites.

West Germany, Western Europe's second biggest spender on space technology, is trying to take a conciliatory role midway between the French and UK positions.

Mr Clarke said he would not rule out the chance of a compromise by the time the agency meeting ends this evening. "But it is not easy to see how we can agree," he said.

## Eurotunnel offer limited for UK investors

BY RICHARD TOMKINS IN LONDON

PRIVATE INVESTORS in Britain planning to buy shares in next week's flotation of Eurotunnel, the Anglo-French tunnel group, are likely to be offered little more than a quarter of the £770m (\$1.37bn) worth of stock being issued, it emerged yesterday.

This means that there will be room to satisfy applications from about 200,000 British investors compared with the 500,000 who have registered with Eurotunnel's UK share information office. A ballot among applicants therefore seems probable unless sentiment towards the issue worsens.

Eurotunnel is expected to offer about £350m worth of shares on each side of the English Channel when the flotation begins on Monday. The offer is more than originally expected, because in the wake of the BP flop it now expects to sell only about £70m worth of shares in

other international markets instead of £150m.

However, the allocation to UK private investors will be smaller because Eurotunnel is aiming to place between 30 and 50 per cent of the UK shares with institutional investors in advance of the public share offering.

The company's advisers say this is partly to achieve a demonstration of institutional confidence in the issue and partly to secure preferential treatment for institutions which backed earlier private placings of Eurotunnel's shares.

In France, which has a different distribution system, shares will all be effectively placed with a group of banks, which will then sell them to institutional and private investors on a first-come, first-served basis.

In the UK, there will be no clawback of the firmly-placed shares into the public offering

if demand from private investors is heavy. This is because Eurotunnel is not a privatisation issue and the widening of share ownership is not among its priorities.

For the same reason, the shares will not be sold on a partly-paid basis. They will have to apply for £350 worth of stock to qualify for the smallest travel perk and £5,250 to qualify for the largest. The average level of application is thought likely to be £1,000.

In the event of an oversubscription, rationing will almost certainly be achieved through a ballot rather than through a reduced allocation. The second method would make it impossible for investors to know which perks they were going to get.

It also emerged yesterday that the offered shares will be sub-underwritten at a rate of 1.5 per cent in the UK compared with the normal rate of 1.25 per cent

and the unprecedentedly low rate of 1 per cent achieved for the BP issue last month.

A higher rate is being offered because of the unusual nature of the issue and because of the long gap between the opening date - still expected to be Monday - and the start of dealings on December 10. The firmly placed shares will not be underwritten.

The pathfinder prospectus for the flotation reveals that provision has been made for the UK and French issuing houses to intervene in the after-market for the shares at any time up to the end of next January.

Warburg Securities, one of the company's UK advisers, said yesterday that such a provision was commonplace in France and was intended to give the places confidence that the issuing houses would support the price when dealings began.

## Lawson optimistic on G-7 currency co-operation

Continued from Page 1

to be some informal consultations between governments, but he hoped that it would be not much more than a week before a formal meeting of finance ministers and central bankers was held.

Turning to Britain's prospects, he said he remained confident that the economy would weather the recent storm on financial markets.

If the effects, however, were more damaging than expected, the main flexibility in Government policy would be seen in lower interest rates rather than in a much higher public sector borrowing requirement.

Although the precise figure for next year's PSBR will not be set until the Budget, Mr Lawson said that he would be "very reluctant" to see it rise any higher than the 1 per cent of national income set as a guideline in the medium term financial strategy (MTFS). For this year, the PSBR is forecast at £1bn or around 0.25 per cent of national income.

The Chancellor also underlined his commitment to seek to hold sterling stable against the D-Mark, but made it clear this involved not only keeping the rate below DM2.00 but also not allowing it to fall significantly. If costs in Britain's industry rose faster than elsewhere he would not be prepared to "bail it out" through a lower exchange rate.

A stable exchange rate had

two clear advantages - it provided a useful anti-inflation discipline and it allowed business confidence to know exactly where it stood, Mr Lawson said. And, in that context, the D-Mark rate was particularly important, although the Government could not fix an exact point from which the rate could never fluctuate.

He acknowledged that full British membership of the European Monetary System would have advantages. Primarily, it would give a greater guarantee of continuity of policy over a number of years in much the same way as the MTFS had done.

Mr Lawson said that the recent BP issue would be followed by a full review of the Government's privatisation programme and a review which had been planned even before the stock market fall. The Government had already secured its planned privatisation receipts of £3bn for 1988-89 so no large-scale asset sales were planned in that year. However, if state industries like British Steel were ready for flotation in that year, overshooting the £3bn target would not be an obstacle.

Finally, the Chancellor said he had no plans at present for a Green Paper on the taxation of savings and investment. Such a consultation document has been promised before the Government embarks on any major overhaul of the tax treatment of pension funds.

## Security talks on Ulster

Continued from Page 1

national co-operation to defeat it. He rejected suggestions that the Anglo-Irish agreement had heightened violence in the province and said he had no intention of embarking on a review of the agreement before the scheduled date next November.

Mr Kevin McNamara, Labour's Northern Ireland spokesman, agreed that the community

should not retaliate or over-react but should help the fight by supporting the forces of law and order.

He claimed the bombing had given the lie to any suggestion that the IRA could first win those who supported a "bullet and ballot" strategy designed to legitimise terrorist action. Labour's home policy committee last night endorsed its support for the Anglo-Irish agreement.

## Brazil court ruling

Continued from Page 1

later Dilao Fumero and the country's motor manufacturers. The company claimed that the refusal by Mr Luis Carlos Bresser Pereira, the succeeding minister, to honour the agreement legitimised its refusal to accept a 10.9 per cent price rise, imposed by the national prices council.

Under the agreement, car-makers were offered guaran-

teed profit margins in return for investment and export commitments.

Mr Bresser Pereira claimed that the April accord was only intended to ensure an agreement without legal standing. Furthermore, government reductions of production taxes - recently cut back to 42 per cent of contract price - represented a major concession, he said.

## Dole sets sights on big time

Continued from Page 1

which he has learned to turn on himself of late will, at a critical moment in the fight for the Republican nomination, be turned too viciously against one of his rivals.

That Mr Dole and his advisers themselves are wary on this score was evident two weeks ago in a nationally televised debate among the six Republican candidates. Mr Dole was judged to have gone so far out of his way to avoid being labelled as

naïve and aggressive that he made a minimal impact on an event which could have helped his campaign considerably. Instead George Bush took the opportunity to try and erase the image many Americans have of him as a follower, not a leader.

Partly to contrast himself with his chief rivals, Mr Dole is stressing his "leadership" capacities. He misses no opportunity to present himself as the engaged politician who, as the minority leader of the top Republican, will, for example, have to help shepherd through the Senate any arms control treaty the President signs. Mr Bush, he slyly points out, will have only a "ceremonial" role in the event-

tion of US-Soviet relations over the next year.

But just as he emphasises one abstract concept, "leadership," he mocks another. The media, he says, keeps pressing him to express his "vision" of where he will lead America. But, he adds, if he gives them a vision they will shed it and then ask him for something else - his "message" perhaps.

For the moment Mr Dole is able to make light of the question where he would lead America. But as a man who is perceived primarily as a pragmatist who has learned to work with both wings of his party as well as the opposition on Capitol Hill, he is likely to come under increasing pressure to lay down firm positions on a broader range of issues.

He can fairly claim that on one of the burning issues of the day, the federal budget deficit, he has stuck courageously to a course which for years now has won him few friends in the White House.

Yesterday Mr Dole began to stake out some firmer positions which will appeal to Republican conservatives. Echoing

President Ronald Reagan he called for a constitutional amendment to balance the budget but without major new tax increases, and for "phased deployment" of the Strategic Defence Initiative "when it's ready".

Mr Dole also made it clear that along with a tough stance on trade policy he intends to make the issue of burden-sharing a central feature of the debate over the relationships amongst the Western allies. If elected president, he said, he would immediately call an Alliance summit "aimed at forging a new formula for burden-sharing. Our allies can afford to pay their share and they should."

One of the architects of the 1982 tax increase without which the budget deficit would be worse today than it already is, Mr Dole belongs to that mainstream of the Republican Party which has fiscal conservatism as a core belief. His central role on budget issues has been such that few anticipate that the budget negotiators meeting on Capitol Hill for the third week will come to an agreement while he is out of Washington.

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Alaska	22	10	10	10	Alaska	22	10	10	10
Algeria	22	10	10	10	Algeria	22	10	10	10
Argentina	22	10	10	10	Argentina	22	10	10	10
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Panama	22	10	10	10	Panama	22	10	10	10
Papua New Guinea	22	10	10	10	Papua New Guinea	22	10	10	10
Paraguay	22	10	10	10	Paraguay	22	10	10	10
Peru	22	10	10	10	Peru	22	10	10	10
Philippines	22	10	10	10	Philippines	22	10	10	10
Poland	22	10	10	10	Poland	22	10	10	10
Portugal	22	10	10	10	Portugal	22	10	10	10
Romania	22	10	10	10	Romania	22	10	10	10
Russia	22	10	10	10	Russia	22	10	10	10
Rwanda	22	10	10	10	Rwanda	22	10	10	10
Saudi Arabia	22	10	10	10	Saudi Arabia	22	10	10	10
Senegal	22	10	10	10	Senegal	22	10	10	10
Serbia	22	10	10	10	Serbia	22	10	10	10
Seychelles	22	10	10	10	Seychelles	22	10	10	10
Sierra Leone	22	10	10	10	Sierra Leone	22	10	10	10
Singapore	22	10	10	10	Singapore	22	10	10	10
Slovakia	22	10	10	10	Slovakia	22	10	10	10
Slovenia	22	10	10	10	Slovenia	22	10	10	10
South Africa	22	10	10	10	South Africa	22	10	10	10
South Korea	22	10	10	10	South Korea	22	10	10	10
Spain	22	10	10	10	Spain	22	10	10	10
Sri Lanka	22	10	10	10	Sri Lanka	22	10	10	10
St. Kitts and Nevis	22	10	10	10	St. Kitts and Nevis	22	10	10	10
St. Lucia	22	10	10	10	St. Lucia	22	10	10	10
St. Vincent and the Grenadines	22	10	10	10	St. Vincent and the Grenadines	22	10	10	10
Sweden	22	10	10	10	Sweden	22	10	10	10
Switzerland	22	10	10	10	Switzerland	22	10	10	10
Taiwan	22	10	10	10	Taiwan	22	10	10	10
Tanzania	22	10	10	10	Tanzania	22	10	10	10
Thailand	22	10	10	10	Thailand	22	10	10	10
Togo	22	10	10	10	Togo	22	10	10	10
Tonga	22	10	10	10	Tonga	22	10	10	10
Trinidad and Tobago	22	10	10	10	Trinidad and Tobago	22	10	10	10
Tunisia	22	10	10	10	Tunisia	22	10	10	10
Turkey	22	10	10	10	Turkey	22	10	10	10
Turkmenistan	22	10	10	10	Turkmenistan	22	10	10	10
Uganda	22	10	10	10	Uganda	22	10	10	10
Ukraine	22	10	10	10	Ukraine	22	10	10	10
United Arab Emirates	22	10	10	10	United Arab Emirates	22	10	10	10
United Kingdom	22	10	10	10	United Kingdom	22	10	10	10
United States	22	10	10	10	United States	22	10	10	10
Uruguay	22	10	10	10	Uruguay	22	10	10	10
Uzbekistan	22	10	10	10	Uzbekistan	22	10	10	10
Venezuela	22	10	10	10	Venezuela	22	10	10	10
Vietnam	22	10	10	10	Vietnam	22	10	10	10
Yemen	22	10	10	10	Yemen	22	10	10	10
Zambia	22	10	10	10	Zambia	22	10	10	10
Zimbabwe	22	10	10	10	Zimbabwe	22	10	10	10



This announcement appears as a matter of record only.



## Texaco Refining and Marketing Inc.

as Seller has entered into an Accounts Receivable Purchase Agreement for up to

**\$700,000,000**

We arranged, syndicated and advised on this facility

### Chemical Bank Investment Banking

September 1987

This announcement appears as a matter of record only.



## Texaco Refining and Marketing Inc.

as Seller has entered into an Accounts Receivable Purchase Agreement for up to

**\$700,000,000**

Chemical Bank  
Bank of America NT&SA  
The Bank of Nova Scotia  
Canadian Imperial Bank of Commerce  
Credit Suisse  
First City National Bank of Houston  
The First National Bank of Chicago  
National Westminster Bank PLC  
Security Pacific National Bank  
Texas Commerce Bank, N.A.  
Union Bank of Switzerland

Algemene Bank Nederland N.V.  
Bank of Montreal  
Barclays Bank PLC  
Commerzbank Aktiengesellschaft  
Deutsche Bank AG  
First Interstate Bank, Ltd.  
Lloyds Bank Plc  
The Royal Bank of Canada  
Swiss Bank Corporation  
The Toronto-Dominion Bank

The undersigned arranged and syndicated this facility and will act as Purchaser for the banks.

### Chemical Bank

September 1987

**CHEMICAL INVESTMENT BANK**

## INTL. COMPANIES & FINANCE

### Suez bourse debut leaves shares at heavy discount

BY GEORGE GRAHAM IN PARIS

SUEZ, the newly privatised French investment and banking group, finally made its debut on the Paris stock market with a drop of 18 per cent from its offer price.

Over 1.8m shares, nearly 8 per cent of the group's capital, changed hands yesterday at FF281 (\$45.8) each, compared with the issue price, fixed on October 1, of FF317.

The company is the first French privatisation not to open at a premium to its offer price, and could damage the confidence of its 1.8m new shareholders.

The French finance ministry had first put off the start of dealings in Suez shares and then tried to discourage shareholders from selling by allowing them to delay half of their payments for a year.

Officials yesterday were taking comfort from the fact that Suez's share price had fallen less than the market. Over the same period the CAC index has dropped by 28 per cent.

But some dealers were critical of the decision of Mr Edouard Balladur, the finance minister, to delay dealings, originally due to open on October 29.

"It is just like the Hong Kong stock exchange down during the crash. If you delay it you just make matters worse," commented one broker.

Since there has been no active grey market in Suez - London dealers stopped quoting prices when stock markets began to crash - institutions have been unable to unload any of their holdings of Suez shares.

Foreign institutions, who did not qualify for the split payment, were understood to have been particularly heavy sellers yesterday.

The French markets were also shaken yesterday by doubts over whether Mr Balladur would press ahead with the privatisation of UAP, the largest French insurance company, originally expected to be floated in December.

Official details of a radio report that the minister had decided to put off the privatisation were interpreted by many dealers as a decision to go ahead at all costs. Officials later explained that no decision, either way, had been taken.

But Yves St Laurent, the French couture house, yesterday decided to put off its stock market flotation, originally scheduled for December 4.

### Italians jockey for control of ERT

By David White in Madrid

THE BATTLE for positions in Spain's chemical industry following substantial Kwait-backed share purchases has taken a fresh turn with a reported plan by Italian interests to assume the main shareholding in Univas Explosivos Rio Tinto (ERT), the principal company in the sector.

Madrid newspapers indicated that the planned shareholding by Interpart, a Luxembourg-registered holding unit headed by Mr Giancarlo Parretti, the Italian businessman, would come from an ERT capital increase and from the purchase of part of the 28 per cent stake currently held by Terras Heston which would depose ERT of control over a new joint company due to be formed with Crea in the fertilizer sector under a government-backed reorganization programme.

The latest Terras proposal currently under discussion would involve splitting off ERT's fertilizer division and giving Crea control over the new company, Ferfertil España.

The flamboyant Mr Parretti's reported attempt to come to the aid of Mr Ercandiani was initially greeted with some scepticism in Madrid business circles.

Mr Parretti has made a big impact since the beginning of this year with the acquisition and subsequent sale of a hotel chain, takeover of the Santa Inés real estate company, and, according to reports, the recent purchase of a 25 per cent stake in Banco Español de Crédito.

A capital increase at ERT has already been authorised by shareholders in order to pay off part of the group's outstanding debts.

### Brown Boveri amends issue

By John Wicks in Zurich

BROWN BOVERI, the Swiss engineering company which is to merge with Asea of Sweden, is to change the terms of its planned rights issue because of the "conflicting exceptional situation" in the equity markets.

The capital increase plan will now not include a further issue of participation certificates. Instead, holders of these non-voting equities will have the right to subscribe to bearer or registered shares.

The company points out that as a result of the recent stock market crash, investors have become unwilling to buy participation certificates.

For this reason, the intended drawing-rights offer for new certificates has been dropped. A similar rights issue of registered and bearer shares will, subject to shareholder approval, go ahead as planned.

### Profits soar at Norsk Hydro

BY KAREN FOSSLI IN OSLO

NORSK HYDRO, Norway's largest publicly quoted company which has interests in fertilisers, petrochemicals, metals and oil and gas, increased pre-tax profits four-fold to Nkr391m (\$153.4m) in the third quarter of 1987.

Net income for the period reached Nkr328m or Nkr3.80 a share, compared with Nkr33m or Nkr0.40 in the same period in 1986. Operating income was Nkr196m, a Nkr30m increase over the third quarter of 1986.

Norsk Hydro attributed the good result to improvements in the agricultural, light metals and petrochemical divisions. Agricultural operating income was favourably influenced by the sale of industrial gas activities in Sweden and Finland, the

company said. Norsk Hydro realised a net profit of Nkr214m on the disposal.

Mr Odd Gullberg, director of information, said that traditionally the third quarter is the weakest due to seasonally low demand for fertilisers and oil and gas. He said, however, "We are very satisfied with the outcome of this third quarter."

Norsk Hydro's board will decide today whether or not to go ahead with its Nkr30m rights issue, the biggest rights offer since in the Nordic region. The group has the option to postpone the share issue until end-June 1988. Yesterday the shares fell some 15 per cent despite the strong results.

The agricultural division achieved third-quarter operat-

ing income of Nkr394m, against Nkr99m. Norsk Hydro said, however, that because of weak fertilizer prices, profitability was far from satisfactory.

Oil and gas operating income fell to Nkr138m from Nkr421m due to lower gas prices and losses incurred by refining and marketing activities. Light metals increased operating income by Nkr116m to Nkr37m due to high metal prices and strong trading activities.

The petrochemicals division also performed strongly, reversing earlier losses. Operating income for the third quarter was Nkr225m, compared with a loss of Nkr25m.

Norsk Hydro realised third-quarter foreign exchange gains of Nkr9m.

### Moulinex sees break-even by end of year

By Our Paris Staff

MOULINEX, the troubled French kitchen equipment manufacturer, should be breaking even by the end of the year and hopes to make a profit in 1988, Mr Roland Darneau, its new managing director, said yesterday.

Mr Darneau said he was sticking to his forecast of a FF42m (\$7.7m) loss this year, after losing FF62m in the first half of the year. Sales were recovering now, however, and in some sectors, such as irons and coffee machines, the group was having to work overtime to meet demand.

Sales in France, badly hit by the introduction at the start of the year of a new commercial policy which was resented by retailers, were still 28 per cent lower at the end of September than in the same period of 1986. Export sales were 8 per cent higher, however, leaving total group turnover only 7 per cent down, compared with 11 per cent down at the end of June.

Mr Darneau said that the group was seeking financial partners, but these would be likely to take shares not in Moulinex itself, but in Finap, the holding company of the group's founder, Mr Jean Mantelet.

This would preserve the 42 per cent controlling stake which with double voting rights holds more than 50 per cent of the votes - which Mr Darneau said protected Moulinex from takeover.

### Paribas has gain in first half but warns on outlook

By Our Paris Staff

PARIBAS, the recently-privatised French banking group, raised profits by 5 per cent in the first half but warned that its second-half results could be hit by the recent fall in stock markets.

Net profits in the first half rose to FF973m (\$170.7m), excluding minorities, and the group hopes profits for the full year will be at least equal to 1986's FF1.68bn.

Operating earnings rose by 42 per cent to FF900m, resulting from improved returns from main operating subsidiaries and from lower financial costs due to the group's reduced borrowings.

Paribas realised only FF225m of capital gains in the six months, however, a drop of 36 per cent from the same period of 1986 which concentrated three-quarters of the group's capital gains for the year.

The company warned that its net asset value had slid from FF480 a share at the end of June to FF440 a share at the end of October, even though most of this loss affects unrealised capital gains rather than losses on book value which

would have to be provided for at the end of the year.

The increased first-half profits follow a 68 per cent rise in bad debt provisions to FF3.88bn, including around FF1.5bn of provisions for sovereign debtor risk.

The group's stock of provisions covered an average of over 30 per cent of its lending exposure in risk countries, which Paribas said put it on the same level as other major international banks.

The sizeable increase follows provisioning efforts from the large US and UK banks, but the other large French banks, which have already built up cover of 35 to 40 per cent of their exposure, slowed down their provisions in the first half of this year.

A change in accounting practices for swaps operations at Banque Paribas, the group's main banking subsidiary, produced an exceptional net gain of FF712m at the start of the year and an increase in gross operating profits of FF400m over the course of the first half.

### Bugge sacks chief executive

By Our Oslo Correspondent

BUGGE EENDOM, the troubled Norwegian property company, has dismissed Mr Niels A. B. Bugge, its managing director and major shareholder. Mr Arild Nodrum, another board member and second largest shareholder, has also been sacked. Mr Frode Aarum, also a shareholder, has been appointed managing director.

The company has run into liquidity problems following delays in subscription payments for its Nkr165m (\$24m) rights issue. Bugge owes Norwegian creditors, including Christiania Bank, Bergen Bank, Finanshuset and Storebrand between Nkr1.3bn and Nkr1.4bn. It also has an outstanding UK debt of Nkr200m. Its creditors have now given the company a four-week grace period.

Mr Aarum said the company was looking at possible refinancing and asset sales and that merger talks with an undisclosed company were still underway. However, problems with creditors are also compounded by problems with the major three shareholders, he said.

Observers say Bugge will be hard pressed to honour its loans because too much has been secured by Norwegian stocks which have "nose-dived".

In the UK, Bugge owns property valued at Nkr325.7m. In August it bought Exhorte Trading, which brought with it property at London Bridge, Heathrow and Manchester. In February, Bugge purchased 71.7 per cent of Jackson Bourne Ltd, a quoted shoe components and property business.

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(Incorporated in the State of Victoria, Australia)



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## Fletcher bid for NZFP blocked

BY CHRIS SHERWELL IN SYDNEY

FLETCHER CHALLENGE, New Zealand's largest company, was last night considering its options after the Commerce Commission turned down an application to take over its rival competitor, NZ Forest Products.

Had the country's anti-trust agency given the go-ahead, the takeover would have been New Zealand's largest ever, and would have produced a forest products group of global stature.

As it is, the decision, coming in the wake of New Zealand's stock market collapse, throws wide open the future relationship between Fletcher, NZFP and Rada, an investment group.

Fletcher, a local conglomerate with international interests in forest industries, currently has 17.4 per cent of NZFP and was to have acquired another 12 per cent from the AMP Society,

the leading Australian institution, if the Commerce Commission had approved the takeover.

Rada owns 44 per cent of NZFP, part of which came from Amcor, the Australian group whose own bid for NZFP was also rejected earlier this year.

NZFP, whose main interests also lie in forestry and forest industries, has a cross-holding of 25 per cent in Rada. The assumption was that Rada would have sold out to Fletcher if the deal was permitted.

Fletcher applied to the commission for permission both to increase its stake in NZFP to 35 per cent and to 100 per cent, and put forward proposals to ensure an open market in key areas.

The commission, in handing down its decision last Friday, rejected the proposals to counter potential market dominance.

The merged concern, it argued, would dominate the log use market, the manufacture of kraft pulp, and would become the country's sole producer of computer and photocopier paper.

On the face of it, Fletcher's options now are to sit where it is, to appeal to the High Court against the commission's decision, and to enter into negotiations with Rada.

Signs of the course it will follow may emerge today when Fletcher holds its annual meeting in Auckland, a year after first announcing its assault on NZFP.

© The Commerce Commission said yesterday it would conduct an extended investigation into a Brierley Investments (BIL) application to buy full control of Petrocorp, the state-controlled energy group. Brierley adds from

Wellington.

The commission said the proposal could not be cleared immediately because it raised important competition issues. It is concerned about competition in the wholesale and retail markets for natural gas.

BIL already has a monopoly in retail gas distribution in the Wellington, Auckland and East Coast regions through Welgas Holdings, the commission said. Petrocorp is also a gas franchise holder at the retail level and directly supplies several major industrial users.

BIL bought 15 per cent of Petrocorp earlier this year. A further 15 per cent was floated to the public in August, and the Government has said it plans to sell the remainder by tender. Bids closed last Friday.

## Malayan Banking doubles earnings

By Wong Sulong in Kuala Lumpur

MALAYAN BANKING, Malaysia's largest local banking group, has reported a 105 per cent increase in pre-tax profits to 169.5m ringgit (US\$64.4m) for the year to June.

Its results add substance to the view that the worst is over for Malaysia's banking industry, which was hit badly by the 1984-86 recession and the collapse of the share and property markets.

Stressing this in a speech to a banking conference over the weekend, Tan Sri Jaffer Haniff, governor of Bank Negara, the central bank, said that for the first half of this year, profit among the country's top six local banks had increased by about 30 per cent.

At Malayan Banking, earnings after tax were, however, only 18.4 per cent higher at 57.5m ringgit. It is paying a final dividend of 11.5 cents, making an unchanged 18 cents.

The group also had an extraordinary profit of 17.7m ringgit, arising from the sale of premises in Hong Kong.

The bank itself performed better than the group as a whole, recording an after-tax profit of 47.5m ringgit, an increase of 25.5 per cent.

Kwong Yik Bank, the group's 52 per cent-owned subsidiary, suffered a loss of 4.6m ringgit compared with a profit of 8.7m ringgit previously. Ascombankers, a 59.5 per cent-owned merchant bank, saw profits decline by 14 per cent to 7.5m ringgit.

Total deposits for the group rose by 14 per cent to 16.5m ringgit, but loans were flat at 10.5m ringgit.

By no means all banks have yet achieved a full recovery, though. United Asian Bank, the country's fifth largest local bank, has reported an after-tax loss of 359m ringgit for the 1986 year on top of a 140m ringgit loss for 1985 and 1983.

The losses of the past three years were attributed largely to write-offs of bad loans made during the early 1980s.

Tan Sri Radin Seneviratne, the newly appointed UAB chairman, disclosed that the bank was seeking to raise 225.7m ringgit through a one-for-one rights issue to restore its capital adequacy ratio.

The accumulated losses had depleted shareholders' funds to a negative net worth of 185m ringgit. Part of the proceeds from the rights would also be towards repaying a 200m ringgit loan.

UAB was taken over by Bank Negara earlier this year after it rejected 135.5m ringgit to buy a 53.2 per cent stake.

Three Indian "promoter" banks, whose stake in UAB was reduced from 23 per cent to 11 per cent as a result of the Bank Negara takeover, are not expected to take up their entitlement in the latest rights issue and this will reduce their involvement further to 5.5 per cent.

UAB was set up in 1973 through the merger of the Malaysian branches of the three Indian banks which were nationalised by the New Delhi Government. Malaysian law does not allow foreign government-controlled banks to hold majority stakes in local banks.

At last December, UAB's total assets had fallen by 28 per cent to 20m ringgit, while loans and advances were down by 22 per cent to 1.4m ringgit.

## Japanese textile groups stage recovery

BY CARLA RAPAPORT IN TOKYO

JAPAN'S leading textile manufacturers staged a marked recovery in the six months to September thanks to rigorous cost-cutting measures, cheaper imports and better prices for natural and synthetic fibres.

Teijin, the largest of the companies, reporting unconsolidated interim figures yesterday, said its pre-tax profits jumped 40 per cent from a year earlier to ¥168m (US\$12.2m) even though sales dropped by 12 per cent to ¥155bn.

In addition to cutting costs, Teijin boosted profits by ¥700m in the period as a result of financial deals, known in Japan as *zaiten*, textile companies, like many other exporting sec-

tors hit by the high yen, have been using *zaiten* instead of investing in their own businesses. This is largely because of the strength of the financial markets until very recently.

The appreciation of the yen in the period helped to push down Teijin's textile sales by 14 per cent.

Teijin, which is rapidly increasing its research and development spending on pharmaceuticals, predicts that full-year pre-tax profits will jump to ¥258m from ¥225.1bn on sales of ¥210bn against ¥360bn.

Toyoko, a leading spinning company, also reported a sharp leap in profits to ¥6.2bn, thanks to cost-cutting efforts and in-

creased earnings from *zaiten*. Sales were ¥145.8bn in the period, which is not directly comparable with 1986 because of a change in year-end. The company said that cotton yarn and other textile product sales grew steadily as a result of a recovery in natural fibre prices.

For the full year the company expects profits to increase to ¥12bn on sales of ¥225bn.

Despite the effects of the strong yen on its exports, Unitika, a leading textile maker, said that profits in the six months to September rose by 55 per cent to ¥1.2bn. Sales dropped 24 per cent in the period to ¥120bn. The company said the improvement was largely the result of

rationalisation efforts and reduced inventories.

In the full year, the company expects profits to reach ¥6bn against ¥1.8bn and sales to touch ¥250bn compared with ¥244bn.

Mitsubishi Rayon and Kuraray also showed profit increases yesterday, on the back of a recovery in the synthetic fibre markets and strong gains in the period. Mitsubishi Rayon boosted pre-tax profits by 22.8 per cent to ¥3.8bn, as sales inched ahead by 1.1 per cent to ¥94.5bn.

Kuraray's profits at the pre-tax level jumped by 52 per cent to ¥2.2bn. Sales rose by 3.3 per cent to ¥96bn.

## Further sharp rise by Premier Group

BY ANTHONY ROBINSON IN JOHANNESBURG

PREMIER GROUP, the diversified South African food and milling group, yesterday reported a further 65 per cent rise in pre-tax profits to R88.6m (US\$1.1m) in the six months to September after a record 75.3 per cent jump in the year to March.

Mr Tony Bloom, the chairman, who declared a higher interim dividend of 50 cents per share compared with 38 cents last time, predicted a further strong performance over the rest of the year "unless there is a material downturn in consumer spending".

Uncertainty engendered by

the stock market collapse has meanwhile induced the board to delay a final decision on the proposed separate listing of the company's food interests. A final decision will be made subject to market conditions prevailing in the new year.

Interim turnover rose by 18 per cent to R1.52bn from R1.27bn to produce a 36 per cent higher trading profit of R97.3m compared with R71.7m in the same period last year. Net earnings rose by 55 per cent to R52.9m from R34.1m - on a per-share basis the gain was somewhat more muted with an outcome of 104.9 cents against

70.9 cents.

All the trading companies in the group contributed to the improved performance, especially the core food businesses which the group proposes to hive off into a separate quoted company to be called Premier Foods.

A 32 per cent reported increase in earnings by South African Breweries in the first half contributed to the rise in dividends to R16.3m from R14.8m and a rise in the share of retained earnings to R25.9m from R17.8m. Premier is indirectly controlled by Anglo American Corporation, the country's big-

gest mining house.

©Nampak, the Barlow Rand group's packaging arm, improved performance by 8.5 per cent in the year to September, as demand improved and the company increased its market penetration, Jim Jones adds.

Consolidated turnover, which included sales by the Metal Box subsidiary, rose to R2.07bn, from R1.73bn, and pre-tax profits were R231.4m compared with R158.7m.

The year's dividend has been raised to 100 cents a share, from 70 cents, on net earnings which increased to 228 cents a share from 174 cents.

## Central Norseman Gold forecasts lower profits

BY OUR FINANCIAL STAFF

CENTRAL NORSEMAN Gold, a medium-sized Australian producer, has warned of a sharp decline in near-term profitability as a result of a fall-off in output.

Mr Hugh Morgan, the chairman, told the annual meeting in Melbourne that net profits in the current six months to December were expected to be more than halved from the A\$12.6m (US\$8.62m) achieved a year earlier.

He added that a substantial, though unspecified, recovery was foreseen in the second six months, because of prevailing gold prices and improved operations.

©MM Holdings and Noranda of Canada have joined Tollitree Systems, a base metal refiner

and fabricator, in a venture to build a precious metals refinery in Australia to produce gold and silver bullion from residues and scrap.

Pacific Precious Metals is owned 40 per cent by Tollitree and 30 per cent each by the two larger companies. The refinery would come into operation around the end of 1988, with an annual base-load capacity of 4 tonnes of gold and 25 tonnes of silver.

©Rheem Australia, an appliances, packaging and engineering company which is 60 per cent owned by Broken Hill Proprietary, is to acquire the North American steel and plastic container activities of Rheem Manufacturing, its US former parent.

## First loss for Makino Milling

BY IAN RODGER IN TOKYO

MAKINO MILLING, a leading Japanese machine tool builder, has suffered its first loss since listing its shares in 1984, and the directors have decided to pass the interim dividend.

Sales tumbled 14.9 per cent to ¥18.1bn (US\$13.5m) in the six months to September because of the combined effect of a slump in plant investment by Japanese manufacturers early this year and export restraint.

Japanese machine tool builders voluntarily agreed last year to reduce exports to the US.

These declines plus a ¥1.3bn exchange loss resulted in a pre-tax loss of ¥1.7bn in the first half compared with a profit of ¥1.02bn in the same period of

last year.

Makino said its results were also affected by higher development costs associated with the introduction of new products.

The company expects some recovery in the second half. It said orders received in August showed the first year-on-year rise in 22 months. However, a pre-tax loss of ¥1bn is forecast for the full year.

Although the interim dividend is being omitted (last year's was ¥2.5 per share), the directors plan to pay an unchanged final dividend of ¥5 a share.

© Pre-tax profits of Sumitomo Electric Industries, Japan's leading electric cable maker, rose by 2.9 per cent to ¥10.4bn

in the six months to September, in spite of a 1.1 per cent drop in sales to ¥258.3bn.

The company said the dip in sales was due to a fall in overseas orders and to lower sales of powdered alloys to shipbuilders and steelmakers. Electric cable sales were flat while those of electronic materials and other products rose.

Net profits were up by 7.5 per cent to ¥8.2bn and earnings per share were 5.5 per cent higher at ¥9.38.

The company has revised upward its profit projection for the full year, from ¥22bn to ¥26bn, as it expects to benefit from government measures to stimulate the economy.

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PLACING OF 2,500,000 CONVERTIBLE CUMULATIVE PREFERENCE SHARES 2006 OF 25p EACH

BY ALEXANDERS LAMB &amp; CRICKETHEAD

Authorized	Share Capital	Issued and being offered, Fully Paid
£		
1,750,000	In Ordinary Shares of 10p each	421,450
2,500,000	In Convertible Cumulative Redeemable Preference shares 2006 of 25p each	1,317,020
		1,738,470

Applications for shares may be made to the Council of the Stock Exchange for the Company's Convertible Cumulative Redeemable Preference shares 2006 now being issued to be traded on the Third Market subject to the grant of a listing by the Council. It is expected that dealings in these shares will commence today. It is emphasized that no application has been made for any of the Company's shares capital to be admitted to the Official List for permission to deal in any such shares on the United Kingdom Market.

Particulars of the Convertible Cumulative Redeemable Preference shares 2006 are summarized in the Final Third Market Prospectus and copies of the prospectus may be obtained during normal business hours on any weekday (Saturdays and public holidays accepted) up to and including 22nd November 1987 from:

Alexanders Lamb & Crickethead  
Platt's House  
7, Old Broad Street  
London EC2R 7BE

10th November 1987

## NOTICE OF ADJUSTMENT IN CONVERSION RATE

To the holders of

## RPM, Inc.

5% Convertible Subordinated Debentures Due July 15, 2001

In accordance with Section 5(d)(iv) of the Plan Agency Agreement dated as of July 24, 1986, you are hereby notified of an adjustment in the conversion rate of which the Debentures may be converted into Common Shares of RPM, Inc.

On October 14, 1987 the Board of Directors of the Company declared a three for two split, payable in the form of a 50% share dividend and payable on November 6, 1987 to the holders of record of Common Shares on October 28, 1987. As a result of this dividend, the conversion rate on the Debentures decreased as of November 6, 1987 from \$25.00 per share (38.647343 Common Shares for each \$1,000 principal amount of Debentures) to \$17.25 per share (62.571429 Common Shares for each \$1,000 principal amount of Debentures).

Dated: November 10, 1987

RPM, Inc.

## Notice to Warrant Holders of

## Nippon Oil &amp; Fats Co., Ltd.

U.S.\$70,000,000 1 3/8 per cent.  
Guaranteed Notes 1992 with Warrants to subscribe for shares of common stock of Nippon Oil & Fats Co., Ltd.

Notice is hereby given that with respect to the issuance of new shares for free distribution authorized at the meeting of the Board of Directors held on 4th November, 1987, the shareholders appearing on the register of shareholders of the Company as at 3:00 p.m. on 30th November (Monday), 1987 (Tokyo time) (the record date) will be allocated one (1) new share for each twenty (20) shares owned, and as a result of such authorization of free share distribution the following adjustment of the subscription price for the Warrants shall be made pursuant to Condition 7 of the Terms and Conditions of the Warrants:

- |  |                    |
|--|--------------------|
| (1) Subscription price before adjustment:          | ¥1,415 per share   |
| (2) Subscription price after adjustment:           | ¥1,347.6 per share |
| (3) Effective Date of the adjustment (Tokyo time): | 1st December, 1987 |

## Nippon Oil &amp; Fats Co., Ltd.

10-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo

## NOTICE TO WARRANTHOLDERS OF

8 per cent. Notes Due 1992  
with Warrants to Subscribe for Shares of Common Stock of

## ONO PHARMACEUTICAL CO., LTD.

Pursuant to Condition 11 and Condition 20 of the Terms and Conditions of the Warrants and Paragraph 8(A) (ii) of the Fifth Supplemental Agreement dated 25th August, 1987 under which the above Notes with Warrants were issued, notice is hereby given that the Board of Directors of the Company resolved to make a free distribution of shares of its Common Stock to shareholders of record as of 30th November, 1987 (Japan time), at the rate of 0.08 share per one share held.

2. Accordingly, the Subscription Price will be adjusted effective immediately after the distribution of the Shares. The Subscription Price in effect prior to such adjustment is Yen 8,116 per share of Common Stock, and the adjusted Subscription Price is Yen 7,516.7 per share of Common Stock.

ONO PHARMACEUTICAL CO., LTD.  
By: The Bank of Tokyo  
Trust Company  
as Fiscal Agent  
Dated: 10th November, 1987

## Halifax Building Society

Floating Rate Loan Notes 1994

For the three month period from 6 November 1987 to 8 February, 1988 the Notes will bear interest at the rate of 8.975 per cent per annum. The Coupon amounts will be £115.25 per £5,000 Note and £1,152.53 per £50,000 Note, payable on 8 February, 1988.

Morgan Grenfell &amp; Co. Limited Agent Bank

## Books With Christmas

Bind Feature

in the

Weekend FT

21st November 1987

For Advertising Details Contact  
Sue Matheson  
Financial Times  
01-489 0033

August 1987

Aubert & Duval S.A.  
and other European investors

have acquired

## Special Metals Corporation

from

## Astrotech International Corporation

We assisted in initiating this transaction, arranged the financing and acted as financial advisor to Aubert & Duval S.A.

## PaineWebber Incorporated

September 1987

## Lewmar plc

has been acquired by

## Benjamin Priest Group plc

We acted as financial advisor to Lewmar plc.

## PaineWebber Incorporated

September 1987

## Smith &amp; Nephew Associated Companies plc

has acquired

## Sigma, Inc.

We initiated this transaction on behalf of Smith & Nephew Associated Companies plc.

## PaineWebber Incorporated

September 1987

## WAVETEK CORPORATION

has acquired

## Datron International plc

We assisted in the negotiations and acted as financial advisor to WAVETEK CORPORATION in this transaction.

## PaineWebber Incorporated



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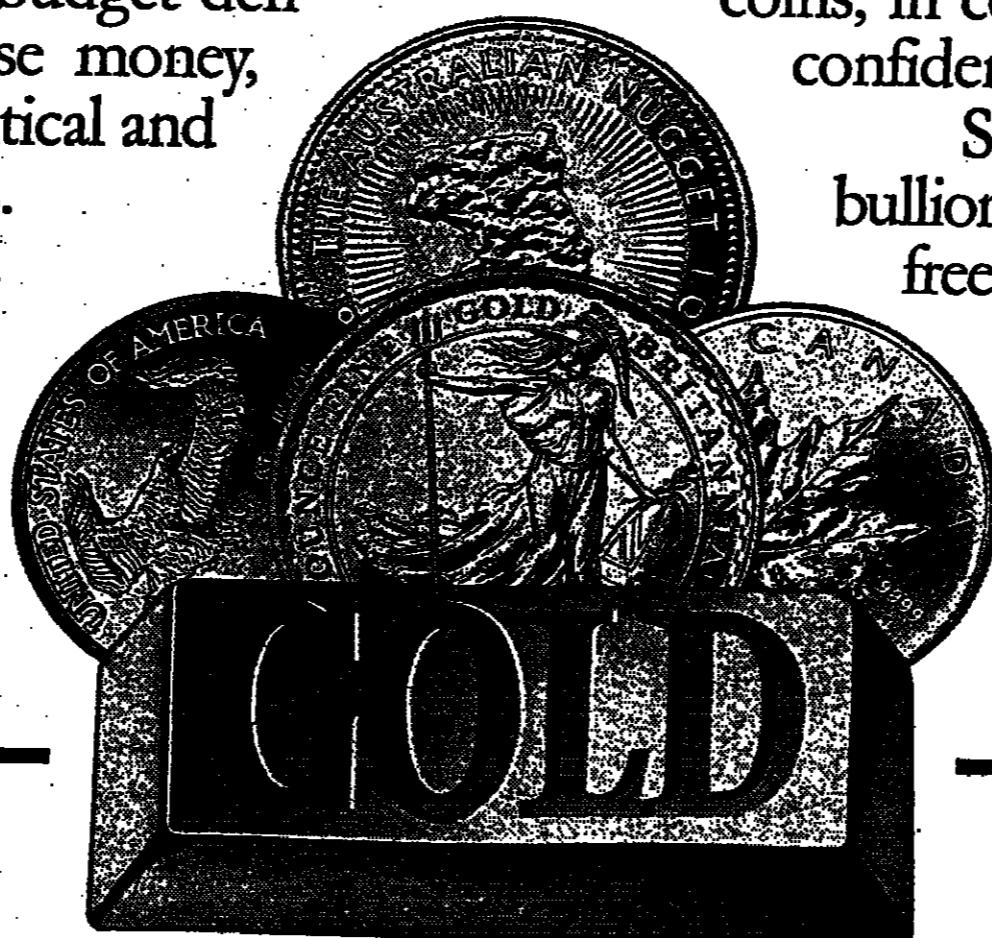
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F 19

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## UK COMPANY NEWS

## Amersham disappoints market with £11.7m

BY DAVID WALLER

Amersham International, the manufacturer of radioactive materials which came to the market in 1982 in one of the Government's first privatisation issues, yesterday disappointed the City with a 12 per cent increase in interim pre-tax profits.

At £11.7m, taxable profits for the six months to the end of September were below analysts' forecasts of between £12 and £12.5m. Although earnings per share were more in line with expectations, at 14.4p against 12.4p, the shares fell sharply, ending the day 63p down at 308p.

The fall was exacerbated by fears of the group's exposure to currency fluctuations. Approximately 80 per cent of its turn-

over derives from overseas and Sir John Hill, chairman, conceded that the declining US dollar made Amersham increasingly vulnerable to competition from US companies in its principal markets.

"As always, Amersham's results will be subject to the effects of exchange rate movements," Sir John warned analysts. Although the currency effect had been broadly neutral in the first half, he said that it would be impossible to avoid an impact in the second half.

Sales across the company's three divisions were at record levels, and overall margins were maintained on turnover ahead by 15 per cent to £79.4m.

Operating profits rose by 15 per cent as well, by £1.68m to £13.11m.

No divisional breakdown was given, but the company said that margins had improved in medical and industrial products. Research products continued to experience selective price competition, predominantly in Japan, where Amersham had cut its prices in order to retain market share.

Sales of the Amerlite non-radioactive diagnostic system were running according to plan, the company said, and made a contribution to profits before research and development expenditure. Overall, this amounted to 10 per cent of group sales.

The interest charge rose by £396,000 to £1.41m, but tax fell from 25 to 34 per cent of taxable profits. Minority profits were £429,000 (£536,000), and the interim dividend was raised from 2.5p to 3.2p.

## comment

The 17 per cent fall in Amersham's share price yesterday seems unjustified on the basis of the figures alone, which at the pre-tax level were only marginally short of consensus forecasts, and in line with expectations after tax, interest and minorities. But under present conditions, investors need very little excuse to sell, and they did after the company conceded that currencies were bound to have an adverse effect

on profits in the second half. The more sober analysts had worked this out for themselves earlier this year when Amersham detailed the price-cutting tactics of a US competitor in Japanese research markets, and their estimates for the full year were little changed at £24-£25m. That puts the shares on a prospective p/e of around 10 - low for a company which has generated 19 per cent compound growth in sales and profits in its 5 year stock-market career. But the derating is understandable: practically all of its costs are incurred in sterling, and 90 per cent of its revenue is earned in other currencies. And if the government does not redeem its golden share next March, there will be no prospect of a bid.

## Woolworth acquires Ultimate for £8m

By Lisa Wood

Woolworth Holdings is paying £8m cash for the Ultimate electrical retailing division of Harris Queensway, the troubled carpets and furnishings group.

It will integrate the 94 outlets with Comet, its electrical retailing subsidiary, consolidating its position as Britain's second largest electrical retailer after the Dixons group.

When Harris Queensway announced its interim results last month it hinted that it might consider selling Ultimate. The electrical business had been built up over the past few years since Woolworth topped Harris Queensway's bid for Comet in 1984. Ultimate was made up of a couple of businesses, including Rayford Supreme which Harris Queensway bought for £22.5m in 1985.

For the year to January 25 1987 Ultimate made a net loss of £5.5m on turnover of £106.7m. At the interim stage this year Harris Queensway said that the 127 Ultimate outlets made a loss in the first half year greater than incurred in the same period last year. The problem, said Harris Queensway, was critical mass in a fragmented marketplace dominated by Dixons and Comet.

Harris Queensway, which is seeking to address the problems of the Queensway group, said yesterday that the sale was in line with its strategy of concentrating resources on its core businesses. The proceeds of the sale will be used to reduce the group's short-term borrowings.

Woolworth is acquiring 94 of the 127 Ultimate stores. These outlets not sold will be closed by Harris Queensway and the space used for other purposes.

Some 48 of the outlets acquired by Woolworth operate as concessions within Habitat stores. The agreement has five years left to run and both Woolworth and Habitat Group, which owns Debenhams, said they were happy for the relationship to continue. An additional 19 outlets are located in Queensway stores where they will operate as a concession.

Mr Nigel Whitaker, a director of Woolworth Holdings, said that the acquisition was a good geographical fit as Ultimate stores were well represented in the south while Comet's traditional strength was in Scotland, the north and the Midlands.

He said that the Comet management believed it would not take long to turn the Ultimate operation into profit. The purchase price of £8m is subject to adjustments following the preparation of completion accounts. The book value of the net assets being sold is about £12m.

Mr Neil Barnes has been appointed managing director of the Woolworths high street chain. She succeeds Mr Malcolm Parkinson who left his post suddenly last week. Mr Barnes has been head of one of the five specialised units within the stores group. She joined Woolworth Holdings in 1985.

## Prestwick cuts losses by over £2m

Prestwick Holdings, maker of printed circuit boards, showed a significant improvement in the year ended July 31 1987, cutting its losses from £2.23m to £174,000.

At the trading level it moved from a loss of £558,000 to a profit of £261,000, and was then further boosted by an exceptional credit of £244,000.

The directors reported that the order book in October was the highest for nine months. The market remained competitive but the trends were encouraging, they said.

They were reviewing the future strategy and direction of the business, they added. Mr David Simpson, a non-executive director, has become chairman in place of Mr Eric Miller, who has left through ill-health. Mr Douglas McKenzie has become

executive director responsible for operations.

In the year turnover expanded to £19.8m (£14.8m). Depreciation was £2.06m (£1.82m) and finance costs £374,000 (£523,000), while on the credit side were regional development grant released £431,000 (£433,000) and selective assistance grant £405,000 (£355,000). There was no tax (credit £265,000) and loss per share came down from 7.1p to 0.9p.

The exceptional credit above the line comprised adjustment for re-appraisal of useful lives of plant and machinery £1.13m, less employee termination costs £183,000.

There were extraordinary debits of £588,000 mainly relating to the discontinuance of the solder-wrap activities of Prestwick Circuits.

## CH Bailey recovery goes on

CH Bailey, ship repairer and engineer, continued its recovery in the second half of 1986/87 with pre-tax profits for the full year to March 27 emerging at £398,625 compared with £180,698 for the previous year.

The profit was struck after taking account of exceptional income (investment grants) of £28,876 (nil) and the share of

loss of its associate of £168,770 (£214,311).

Turnover for the year totalled £5.35m (£5.25m). There was no tax charge but minority losses rose to £9,457 (£1,387) leaving attributable profits of £408,082 (£182,085) for earnings of 0.68p (0.303p). There is again no dividend - the last payment was in May 1980.

## DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Amersham	3.2	Jan 4	2.8	4	8.2
Blanchard Holdings	2.5	-	2.5	-	8.75
Patricia Holdings	0.75	Jan 31	0.66	-	2.25
Hartwell	2.5	-	-	-	0.9
Health Care	0.3	Dec 22	2	2	-
Freemantle	nil	-	nil	-	0.5
Stoddard	0.5	Jan 5	nil	-	1.3
UDO Holdings	1.2	Dec 18	1	1.8	1.5
Virgo Group	1.8	Jan 29	-	2.65	-

Dividends shown pence per share net except where otherwise stated. \*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡US\$ stock. §Unquoted stock. ¶Third market.

## Virgin's £27.7m beats City expectations

BY MIKE SMITH

Virgin, entertainment group, yesterday pleased the market when it reported 1987 pre-tax profits of £27.7m, excluding discontinued businesses and exceptional items. The figure was between £2m and £3m ahead of most expectations.

The profits - 45 per cent up on the £19.1m for the year to July 31 1986 - were struck on turnover of £279.1m (£188.6m). Earnings were 20 per cent ahead at 8.77p and the final dividend in the company's first year on the stock market was 1.5p.

The music division, which encompasses record companies, music publishing and recording studios, improved its performance after a first half in which profits fell. It made pre-tax profits of £20.3m against £20.1m. Mr Richard Branson, chairman, said that the increase was achieved in spite of start-up losses in the US of more than £1m. The US is targeted as the major area of growth for the division, which is hoping to increase market share from nil a year ago to about 5 per cent in between five and seven years. The Virgin label is also being launched in Japan.

Retail and property increased its contribution from £200,000 to £4.6m. Mr Don Cruickshank, managing director, conceded

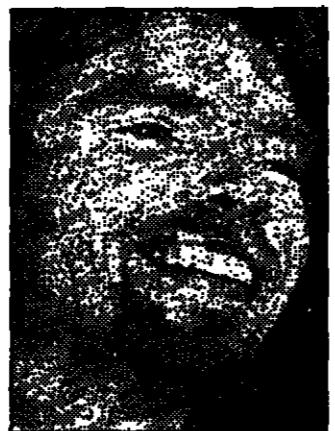
that the undisclosed retailing profits had been "slightly disappointing".

This year is likely to be a year of consolidation. The number of retailing outlets will increase from 102 to 115 but most will be small. The company is, however, opening two megastores in Sydney and Paris.

The communications division, which takes in film entertainment, television and video services, broadcasting and publishing, raised profits fivefold from £1.3m to £6.4m. This was assisted by a reduction in video prices in the UK which led to an "explosion" in the market and the company believes the same can happen overseas.

Mr Trevor Abbott, finance director, said group gearing was about 45 per cent. Pre-tax profit returns on assets was 36 per cent.

Mr Branson said turnover in the first quarter this year was significantly higher than in the same period last year. When the exceptional item, which resulted from the sale of part of an investment in the Music Channel, and profits from discontinued businesses are included the pre-tax profits were £31.1m (£25.5m). After tax of £12.8m (£7.2m) earnings were 10.10p (5.7p). There was also an



Richard Branson - good first year.

extraordinary £4.6m, largely arising from the sale of Virgin Atlantic Airways and other companies before flotation.

## comment

Shareholders have not had the easiest of rides since Virgin

was launched amid a flood of publicity on the market a year ago. Part of the shares' underperformance can be attributed to the fact that though Mr Branson's high-profile image has gone down well with the public it is viewed rather more conservatively from the City. But there is also a perception that such a fashion-oriented business may be prone to volatility. These figures should help to dispel that image. Particularly impressive is the music division, which managed to increase profits, if only marginally, in a year when only five of the top 21 acts brought out albums. The performance adds weight to Virgin's argument that it now has enough hands and a large enough contribution from back catalogues, providing about a third of turnover, to ensure constant growth. The trend will be helped as more US artists are signed up. In retailing, which probably contributed about £2m, Virgin still has work to do to improve the margins but communications is building up momentum. Assuming pre-tax profits this year of £35m, the shares are on a prospective p/e of about 10.

## TI holders back board over Bundy withdrawal

BY CLAY HARRIS

TI Group shareholders yesterday followed their board's advice and voted overwhelmingly not to proceed with the proposed £144m (£15m) takeover of Bundy, the leading US maker of small-diameter tubing.

The British engineering group believed the vote - which automatically terminated its cash takeover offer - would give it a "bullet-proof" defence against law-suits filed in the US over the last-minute decision to withdraw the bid in the wake of the market crash and the uncertainty facing the US motor industry, Bundy's main customer.

TI was facing at least two suits filed in US District Court in Michigan where Bundy was based. One, a "class-action" on behalf of all Bundy shareholders, alleged violations of US securities laws and breach of contract. It sought \$75m in

damages. The other, filed by Bundy itself, alleged breach of contract.

Mr Ronnie Utiger, TI chairman, said the company's withdrawal was based on UK legal advice that directors' fiduciary duty to shareholders included giving an up-to-date opinion that the takeover was still in their best interests.

US lawyers had advised that TI would face no liability if shareholders refused to sanction the takeover, as such approval was a condition of the offer.

At yesterday's extraordinary meeting, adjourned from October 28, the takeover was unanimously rejected on a show of hands after Mr Utiger said he had proxies from 58m shares opposing the takeover, compared with only 1.6m shares in favour.

Reckitt & Colman, the food and household products group, is to take a large bite out of the West German market for denture fixatives and cleaners by paying DM2.2m (£2.2m) in cash for most rights to the Kuki-dent brand owned by Richardson, the Procter and Gamble subsidiary.

Reckitt, whose denture products include Steradent, will acquire brands with more than 50 per cent of the fixative market and 20 per cent of the cleaning market.

The acquisition will increase Reckitt's presence in West Germany, which at present is significantly underweight. In the year to June 30, the Kuki-dent operations in question achieved profits of DM22m (£9.4m) before tax and other expenses.

The deal includes one of Kuki-dent's fixative brands, Die Blauen (The Blues), but not the larger, Zwei Phasen (Two Phases). However, Reckitt will continue to supply the latter to Richardson from the factory it is buying at Weinheim, near Frankfurt.

Richardson will retain the rights to Kuki-dent outside West Germany - with Austria and Switzerland the only other significant markets.

Reckitt will pay DM51.6m on April 1 and DM10.9m on July 1. It will pay an additional sum for trading stocks.

Marwan lifts his stake in Benlox

Dr Ashraf Marwan, the Egyptian financier who set up in concert with Benlox Holdings its all-paper bid for Stereose, bought a further 60,000 Benlox shares on November 6 at a price of 44p, lifting his holding to 9.494m shares (22.6 per cent).

MBS loan facility

MBS, computer equipment supplier, has arranged a £28m loan facility in the form of a £10m syndicated loan and a £18m overdraft facility.

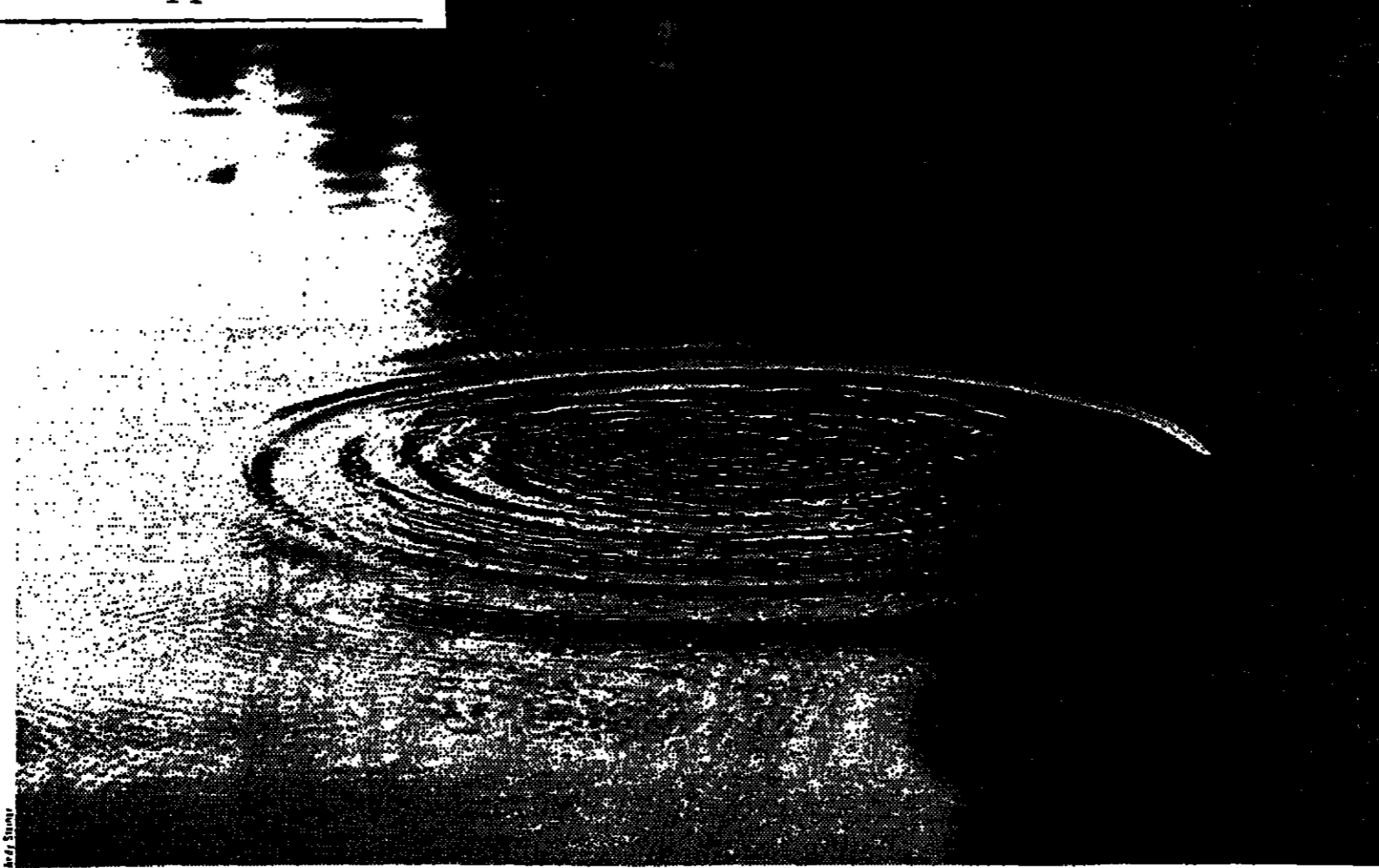
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## Dilemma for the Government over BP share defaulters

BY RICHARD TOMKINS

THE GOVERNMENT is facing a dilemma over what to do about 5,000 private investors who have failed to honour their obligations for British Petroleum's disastrous share offering at the end of last month.

The vast majority of the 270,224 investors who applied for shares in the £7.2bn issue have honoured their obligations and taken up their stock. It emerged yesterday. But the Government now has to decide what to do about the 5,000 who have not.

If it takes no action, it will face strong criticisms from private investors and underwriters who have honoured their commitments. It would also mean that the Government had shared £700m worth of losses when the unwanted 120p shares opened at just 88p.

If it takes the defaulters to court, however, it could find itself self-prosecuting small investors who will argue that they were induced to apply for the shares by the Government's extensive advertising campaign which urged the British public to "Be Part Of It".

Further, some of the defaulters are students and pensioners who cannot afford to take their losses or pay any fines imposed by the courts.

The Treasury yesterday said it had no plans to release figures on the number of cheques that had failed, and that no ministerial decision had been taken about what would be done with the defaulters.

Initially the National Westminster Bank, the lead receiving bank to the issue, is sending out letters to the 5,000 reminding them that by filling in the application form, they warranted that their remittances would be honoured on first presentation.

Beyond that, it seems likely that the defaulters will be dealt with on a case-by-case basis, with the greatest pressure being brought to bear on those who have the means to honour their commitments and simply want to avoid doing so.

Prosecution of people who default on cheques written for new issues is rare because when shares go to premiums, the issuer benefits from being able to sell them for more in the aftermarket than they would have in the offer.

When issues do flop, sponsors normally find that fierce letters threatening legal proceedings eventually succeed in persuading applicants to honour their commitments. But merchant banks are reluctant to discuss the clear-up rate for fear of encouraging the belief that it is possible to get away with defaulting. BP's partly-paid stock fell 3p to 75p yesterday, just 5p clear of the price at which the Bank of England has undertaken to buy them back from investors. The renouveau letters of allotment, which investors need to submit a claim, went out to investors yesterday.

## Whitbread lifts holding in Boddington

By Lisa Wood

Whitbread, a major brewer, has increased its holding in Boddington, Manchester-based brewer, from less than one per cent to 3.29 per cent.

The majority of its share purchase was made from shares sold by Midsummer Leisure, the growing discotheques, public house and snooker club business which last week said it had sold its 2.1 per cent stake in Boddington.

Last month Midsummer made an unsuccessful takeover approach to Boddington. Boddington, which owns some 500 public houses and brews the cult Boddington ale, rebuffed the approach.

Whitbread said yesterday that the reason for the increased stake was that it had a long and strong trading relationship with Boddington and this move was a further cementing of that.

Mr John Dunsmore, of Wood Mackenzie, the stockbroker, said that Boddington, with nearly 40 per cent of its shareholding in "friendly hands", was now effectively bid proof.

The Whitbread Investment Trust, in which Whitbread has a 49.8 per cent stake, holds some 22 per cent of Boddington, a stake which would be critical to the outcome of any bid for Boddington.

## McLeod Russel and Smale suspended

By Fiona Thompson

Share dealings in McLeod Russel, plantation group, were suspended at 385p yesterday pending an announcement, which the company said would be made today. Dealings in Kennedy Smale, glove manufacturer and machinery distributor, were also suspended, at 160p.

McLeod acquired a 29.98 per cent stake in Kennedy Smale earlier this year, saying it had for some time been planning to expand outside the commodities business. Mr Nigel Openshaw, McLeod's group managing director, took over as chairman of Kennedy in March.

It has been expected that McLeod would use Kennedy Smale as a vehicle for expanding its UK industrial interests. In April, McLeod announced it was selling 80 per cent of its Indian tea interests for £18.4m to Mendip, a consortium of European investors. The proceeds, the company said, would be used to repay bank borrowings and to expand its other UK activities. The Mendip deal has involved a reorganisation of McLeod, with all the group's activities, other than the Indian interests, transferred to a newly-created holding company.

In June, McLeod reported a £680,000 downturn in pre-tax profits to £5.68m for the half year to March 31, 1987.

## Nikki Tait looks at the background to Granada's £222m bid for Electronic Rentals

### Tuning in to a programme of expansion

CONVENTIONAL wisdom says that when a market declines you either get out or you get big. Yesterday's £222m bid approach by Granada for Electronic Rentals Group is a large step in the latter direction.

The market in question is the TV and video rental market. Most analysts reckon that the decline on the TV side is something like five per cent a year and, if anything, accelerating.

There is no doubt about the largest, and most efficient, player in the UK at present - Thorn EMI, which has a market share reckoned to top 40 per cent. Granada, through its 620-strong chain of Granada TV Rental outlets, clocks into second place with something more than 20 per cent. Electronic Rentals, which takes in 450 shops and markets under the Visionhire name, comes third with under 15 per cent.

The problems of the rental market have been obvious for all too long and both Granada, for which electronic rental and retail is still the largest division, accounting for perhaps 60 per cent of trading profits, and Electronic Rentals, have - with differing degrees of success - set out to tackle it.

Both companies, not surprisingly, have seized the obvious route of expansion into the retail end. For Electronic Rentals, something of a go-go stock in the late 1970s, that has taken two forms: on the one hand, it made a number of acquisitions -

a smaller rental group, Telefusion, for £23m and Carousel Colourline from Dixons for £22m, both in 1985. On the other it has increasingly been introducing retail into its rental showrooms.

The latter strategy is broadly seen as the more successful: the acquisitions brought problems - notably the Connect chain, part of Telefusion, which made a £5m trading loss in 1986/87. Rationalisation there is now largely complete, but the acquisition took ERG's gearing to more than 120 per cent by March 1986 and almost 100 per cent a year later.

Analysts forecast a reduction to perhaps 60 per cent by next March, but hefty interest charges have dampened the profits picture. Pre-tax, the company made £18.5m in 1986/87, after finance charges of £12.1m. In the current year, the figure is widely forecast to improve to £23m.

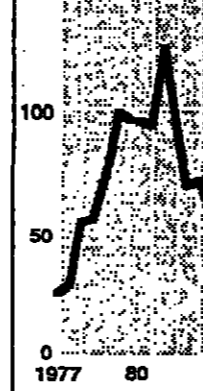
Granada, too, has hit the acquisition trail - buying the Rediffusion business from BET back in 1984, at a time when it held about 11 per cent of the rental market and the BET offshoot another 8 per cent.

But in the wake of abortive merger talks with Ladbroke in early 1986, followed by an unwanted approach from Rank Organisation - blocked by the Independent Broadcasting Authority - the company has also been stepping up diversification.

On the electrical goods side it picked up the Leskys chain from Ladbroke a year ago -

### Electronic Rentals

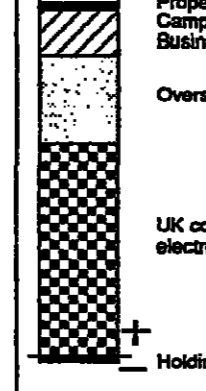
Share Price (pence)



Alex Bernstein, chairman of Granada.

### Electronic Rentals

1987 Total £30.27m



retail market would only be in the low teens - and that the dividing line between rental and retail is rapidly eroding. But with shares in ERG up only 8p to 64p - 12.5p short of the bid terms - the City was clearly expressing its doubts.

No doubt it is a line of defence which ERG, if it decides to fight, would immediately employ. Whether the offer turns into battle should become clear after ERG's board meeting today. Yesterday, at least everyone was at pains to remain cordial, and Granada's successful market raid - giving it a 14.9 per cent stake in its target - is no doubt designed to increase pressure for an agreement.

And if a struggle does develop, the position of Dutch electronics group Philips, which holds a 22.4 per cent stake in ERG could prove crucial. In the distant past, ERG acted exclusively for Philips and the Dutch company still has a non-executive boardroom position. Although the exclusive arrangement ended in the 1970s, it remains a larger supplier to ERG than Granada. Would a strengthened customer be good or bad news?

But, in general, the bid had the City divided yesterday. Granada says its commitment to expand elsewhere will be helped rather than hindered by the strong cash flow which an enlarged rental/retail business would generate. But £222m is a lot of money - especially these days.

shifting its UK rental/retail mix - and is expanding on the Continent. Equally, it has made much of the push into new areas - for example, the holiday market.

Yesterday, however, all arguments were concentrated on its core business. Granada argues forcibly that the addition of the ERG outlets would provide further economies of scale, upping its profitability in a sector which - if recession does indeed hit seriously - could see some revival in its fortunes.

"There are two driving forces behind the bid," claims Granada's finance director, Derek Lewis. "The first is purely financial - the acquisition would bring cost efficiencies and an important improvement to the bottom line."

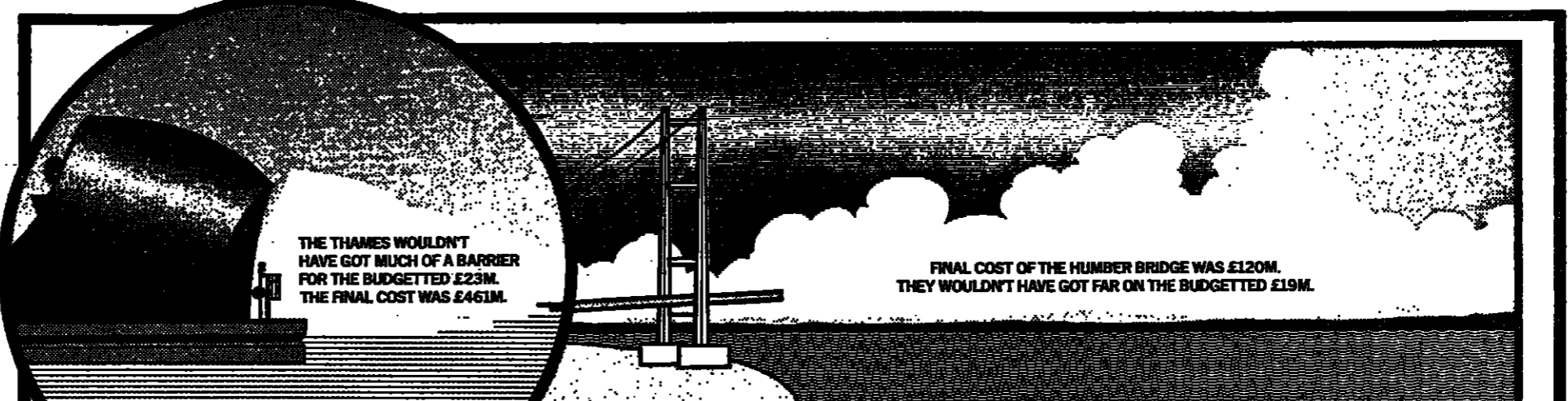
Profitability in this business is largely about sale densities and although Granada is not making any kind of forecast, analysts were yesterday estimating that perhaps one-fifth of the combined group's outlets could be closed without significant loss of sales. The benefits would, however, occur principally in the 1988/89 financial year (and onwards).

The second advantage, argues Granada, would be its increased market power - in terms of purchasing arrangements, marketing spend and so on. Moreover, ERG's overseas rental interests, which accounted for 20 per cent of last year's trading profits, take in an attractive German business and its profitable business systems arm. Only the small camping and leisure side appears to have relatively little fit.

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## IS THE EUROTUNNEL CONSTRUCTION BUDGET JUST ANOTHER GUESTIMATE?

If previous construction projects are anything to go by, it would appear so.

The examples above are not mere exceptions to the rule, either.

The construction today of a conventional power station, for instance, runs on average 19% over budget and is anything from three to six years late.

More relevantly, take the second Dartford tunnel beneath the Thames.

It was built only 200 yards from the original, through known geological conditions, using proven technology.

Yet it was four years late and at £45 million, 200% over budget.

In short, the history of large scale construction projects is littered with miscalculations, in both cost and time.

In this light, the projected figure of £5 billion to build Eurotunnel has to be treated sceptically.

So too, do the consortium's projected figures for passenger traffic.

At almost twice the levels forecast in two Government sponsored studies, we believe they are being wildly optimistic about the number of people the tunnel will carry.

And greatly underestimating the response of the ferry operators and ports.

At this point we ought to declare our

interest. We are against a bailed-out, subsidised, ailing tunnel, that would unfairly undermine the ferry business.

And in this, we have common ground with every private shareholder, small or large.

To this end, we have prepared a thorough examination of the facts, highlighting what we believe to be crucial weaknesses in the tunnel's financial case.

This booklet is available to any interested party by sending off the coupon.

It goes into far more detail than is possible in this advertisement and is, we believe, essential reading for anyone who is thinking about buying shares in Eurotunnel.

And if you're at all unsure about the value of reading it, perhaps we can leave you with this thought.

A cost overrun for Eurotunnel could mean that investors won't see any return at all.

For a copy of our booklet, write to Flexlink, 1 Deans Yard, London SW1P 3NR.

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### Activities of the Group:

Furniture hire to exhibitions, conferences, films, photographic studios, television and theatres. Discotheques and marquees for social, sporting and business functions. Ships management, freight forwarding services worldwide and North Atlantic and Far East groupage.

Results in brief	Year to June	
	1987	1986
	£	£
Profit before tax	921,000	573,000
Profit after tax	579,000	353,000
Earnings per share	23.44p	17.67p
Dividend per share	7.70p	6.25p

Both Divisions within the Group have had a buoyant year in all their activities and this is currently continuing. Other than something unforeseen occurring, I see no reason why Medminster should not perpetuate the growth.

John Delaney, Chairman

127 Whitehall Court, London SW1

## Republic of Iceland

U.S. \$50,000,000

123% Bonds Due 1992

NOTICE IS HEREBY GIVEN that, pursuant to Condition 5(a) of the Bonds, Citibank, N.A. as Fiscal Agent, has selected by lot for redemption on December 15, 1987 US\$8,000,000 principal amount of said Bonds at the redemption price of 100% of the principal amount thereof. Outstanding Bonds bearing serial numbers ending in any of the following two digits have been selected by lot for redemption:

06	10	14	17	28	39
42	59	62	66	78	80
82	87	90	97		

Payment will be made upon surrender of Bonds together with all coupons maturing after the date fixed for redemption, at the office of the Paying Agent as shown on the Bonds. On and after December 15, 1987, interest on the Bonds will cease to accrue and unmatured coupons will become void.

Outstanding after December 15, 1987 US\$42,000,000.

November 10, 1987

By Citibank, N.A. (CSDS Dept.)

London Fiscal Agent

CITIBANK

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**Standard Chartered**

November 1987

# NOW'S YOUR CHANCE TO MAKE A CHEAP RATE CALL BETWEEN 8.30 AND 6.00.



The Inland Revenue Valuation Office is currently sending out rate return questionnaires for the 1990 Revaluation of Commercial Property. As rates bills will be significantly affected by Revaluation, it is essential that rate returns are completed with care.

If you are concerned about the implications of the new commercial rates revaluation, a telephone call to Debenham Tewson & Chinnocks could save you time and effort immediately and a considerable amount of money in the long term.

The highly experienced specialists in our Rating Department will be pleased to complete your rate return as part of our service to rating clients. Later, if appropriate, we will appeal against any revaluation assessment to minimise your rate outgoings.

So if you are interested enough to find out more about the ways in which Debenham Tewson & Chinnocks might help reduce your rates bill, telephone Christopher Foster or Mark Henderson on 01-236 1520 for a discussion in confidence, or write to them at the address below.

**DEBENHAM  
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International Property Advisers

Bancroft House, Paternoster Square, London EC4P 4ET.

## UK COMPANY NEWS

### Armitage Shanks £5m acquisition

Armitage Shanks, a subsidiary of Blue Circle Industries, has acquired the kitchen furniture businesses of Wrighton and Elizabeth Ann from Greenbrook Furniture for around £5m. Production of the two kitchen furniture ranges is based at Nazeing, Essex. The acquisition will extend Armitage Shanks' area of activity further in the home fittings market.

### OT&T £2.6m deal

Ocean Transport & Trading has paid C\$8m (£2.55m) for GM Patry, a leading Canadian freight forwarder and customs broker. Mr Nicholas Barber, chief executive, said: "This is another important development in the planned expansion of our forwarding interests in key growth markets." Patry's forwarding operations will be integrated into Ocean's existing freight forwarding organisation MSAS Cargo International, but Patry's customs brokerage business will continue to use its existing name. Patry has offices in Montreal, Toronto and Vancouver.

### Scapa in Germany

Scapa Group has acquired Villforth, a West German maker of four-wheel drive vehicles for the papermaking industry. Its sales in 1986 approached £7m. Scapa said the acquisition was part of its programme of penetrating all world markets with its engineered fabrics for paper machines. West Germany was the largest European producer of paper and Villforth represented an important opportunity for Scapa to establish an initial manufacturing base there.

### Hawker Canada

Hawker Siddeley Canada, subsidiary of the UK electrical and mechanical engineering group, increased its pre-tax income from C\$4.08m to C\$26.51m (£11.4m) in the nine months to September 30 1987. Sales were down slightly from \$306.62m to \$292.12m. Taxes (current and deferred) came to \$10.15m (\$10.25m).

### Estates & General

Estates & General Investments has sold three industrial investments, Point 4, a trading estate at Avonmouth, Bristol, to S.A.E. Investments for £1.62m. The Pavilions, comprising three units at Bracknell, Berkshire, one of which was sold to an owner-occupier for £215,000; the other two were sold to N.W. Scholar Life Property Fund for £220,000; and a 15,000sq ft warehouse at Uxbridge to Kimal Scientific for £277,000.

### Westland Aerospace

Westland Aerospace, a subsidiary of Westland Group, has acquired a 65 per cent stake in Marex Technology, which specialises in supervisory control and data acquisition systems for the offshore and industrial process control industries. The acquisition will broaden Westland Aerospace's existing electronic control systems capability. In the year to March 1987, Marex had a turnover of £2.55m.

### County Properties

The directors of the County Properties Group yesterday called for a temporary suspension of trading on the company's shares (listing pending publication of an announcement).

### Lynton acquisition

Lynton Property & Reversionary has acquired Midhurst Investments from Wereldhave for a consideration of more than £8.5m to be financed from the company's own resources. Midhurst's assets comprise long leasehold interests in two London properties and associated car spaces, Ebury Gate, an office building of 45,000 sq ft which produces an annual total net income of £650,000, and Belgrave Court, a block of 67 luxury flats. Lynton said that the acquisition will provide the company with a secure income flow.

J ROTHSCHILD Holdings has bought a further 2.68m of its shares at 140p a share for cancellation, reducing the issued share capital to 297.2m shares. PRICOM: The open offer to shareholders received applications for 38.7m shares (0.08 per cent).

### FT Share Service

The following securities have been added to the Share Information Service. Alba (Section: Electricals). Evergreen Resources (Oil and Gas). Britannian Group (Insurance). Elders Gold Mines (Mines-Australia). Pavilion Leisure (Leisure). Placer Pacific (Mines-Australia). Premark International (Americans).

### UDO advances 39% to £3.8m

BY STEVEN BUTLER

UDO Holdings, supplier of drawing office equipment and specialist reprographic services, has turned in another year of rapid growth with pre-tax profits increased by 39 per cent to £3.8m and turnover up 49 per cent to £21m in the 12 months to the end of July. Mr Terence Rutter, chairman, said that about half of the growth in turnover came from acquisitions, while the balance came from organic expansion. Earnings per share rose from 8.03p to 11.05p, and the full-year dividend came to 1.8p, up from 1.5p. Mr Rutter said that the group's decision to expand into the manufacture of diase-related products had so far been a success. The reorganisation of Argue Systems and Harper & Tunstall, acquired earlier in the year for £2.62m, was virtually complete, with excess staff reduced, manufacturing equipment transferred, and costs associated with the rationalisation of the long-term expansion of the group.

### Siebe sells shoe-making side to its management

BY CLAY HARRIS

Siebe, controls, engineering and safety equipment group, yesterday sold its shoe manufacturing operation to management in a deal worth £2.5m, including the debts assumed by the new company. The purchase of James North Footwear and Stuart Latham, makers of slippers and casual footwear, was arranged by March Investment Fund, the Manchester-based venture capital company. Other financial backers are the Greater Manchester Economic Development Corporation and the British Gas Pension Fund. Both companies, which have been managed as one unit for 15 years, are based in north-west England. Mr Brian Nuttall, managing director, said production would be increased to meet the growing demand for James North's new range of casual shoes. RAWDA Investments has bought 1m more ordinary shares in Carless Capel & Leonard, the oil company, lifting its holding to 13m shares (7.5 per cent).

### Avis keen to close Bramall takeover

By Clay Harris

Avis Europe, the car leasing and rental group, will buy shares of C.D. Bramall in the market in an effort to bring to an early conclusion its £70m agreed bid for the Bradford-based motor dealer and contract hire company. Bramall shares were trading yesterday at 625p, compared with the 644.4p cash alternative which Avis would like to close after Friday, the first closing date for the bid which was launched before the market crash. Avis announced an option and indemnity agreement with Morgan Grenfell, under which the merchant bank would neither gain nor lose from market purchases of Bramall shares. Avis wants to be able to have 90 per cent of shares by Friday in order to declare the bid unconditional. It started the bid with irrevocable acceptances for 57.5 per cent. The three-for-five share offer was worth 444.4p yesterday, exactly 200p less than the cash offer. At these prices, the sub-underwriters would face a paper loss of more than £19m if all Bramall shareholders, apart from the 28.5 per cent irrevocably committed to the share offer, accepted the cash terms. Avis said that it had received satisfactory assurances from Ford, Austin Rover and General Motors that the takeover would not affect Bramall's dealership arrangements with the three manufacturers. The bid was cleared last week to proceed without a reference to the Monopolies and Mergers Commission. TR Technology Investment: Easley Govell, on behalf of Firmdale Investments, bought 5.08m shares on November 6, lifting Firmdale's stake to 15.96 per cent.

### NOTICE to the holders of the outstanding 6% Equity Notes Due 2002 of Yves Saint Laurent International S.A.

Notice is hereby given to the holders of the above Notes that, at the Meeting of such holders convened by the Notice of Meeting published in the Financial Times and the Luxembourg Wort on 24th September, 1987 and held at 12 noon (Geneva time) on 16th October, 1987, the Extraordinary Resolution set out in such Notice was duly passed. Accordingly, the modifications to the Terms and Conditions of such Notes and the Trust Deed constituting such Notes, referred to in the Explanatory Memorandum referred to in such Notice have been made (subject to the exchange taking place), with effect from 5th November, 1987, by means of a Second Supplemental Trust Deed of the same date and the exchange of such Notes for the "New Notes" for 6% Equity Notes Due 2002 of Yves Saint Laurent S.A. (the "New Notes") as referred to in such Notice and as described in the Explanatory Memorandum will take place, subject to the conditions precedent contained in the Explanatory Memorandum, on 20th November, 1987. The exchange has been postponed for technical reasons to this date, as permitted by the Explanatory Memorandum. The procedures for the exchange of Existing Notes for New Notes and the arrangements for the holding of New Notes pending physical exchange will be as follows:

Existing Notes held in Euro-clear or Cedel will be surrendered on 20th November, 1987 to a Paying Agent for payment of the interest (amounting to U.S. \$115 per Existing Note) due on them on such date and New Notes will be delivered in exchange to depositaries for Euro-clear and Cedel, who will promptly credit the accounts of the holders of Existing Notes with the appropriate number of New Notes. Existing Notes held outside Euro-clear and Cedel New Notes will be available for collection in exchange for Existing Notes at the office of Banque Internationale à Luxembourg S.A. at 2 Boulevard Royal, Luxembourg, on and after Friday, 20th November, 1987. On presentation of Existing Notes on or after that date, Noteholders will also receive payment of the interest due (amounting to U.S. \$115 per Existing Note) on their Existing Notes on 20th November, 1987. If Existing Notes are presented at the offices of any Paying Agent other than Banque Internationale à Luxembourg S.A., the accrued interest will be paid and the relevant Existing Notes will be entered with a memorandum of payment. The Noteholder will then have the option of either: (i) surrendering the relevant Existing Notes at the above office of Banque Internationale à Luxembourg S.A. in exchange for the relevant New Notes; or (ii) in exchange for the relevant Existing Notes to such Paying Agent together with instructions for delivery by mail (uninsured other than at the Noteholder's expense) at the Noteholder's risk to an address outside France to be specified by the Noteholder. The relevant New Notes would then be mailed to such address by Banque Internationale à Luxembourg S.A.

The value of the shares of Yves Saint Laurent International S.A. ("YSL") and the value of the shares of Yves Saint Laurent S.A. ("YSL") have now been determined by the commissaire aux apports and the independent expert, respectively. These valuations are lower than originally expected because of the change which has recently taken place in the stock market. The result of the exchange, however, is that Noteholders have exchanged their investment in YSL for an investment in the enlarged YSL that will result from the reorganisation on substantially the same economic terms as those obtained by Cerus S.A. It should also be noted that Noteholders will have the right to a larger proportion of YSL Shares than originally contemplated. The values are as follows:

The values are as follows:		
YSL	Value of one share:	FF105
	Value of all shares taken together:	FF1,386,000,000
YSL	Value of one share:	FF280
(after reorganisation)	Value of all shares taken together:	FF2,545,733,680

(Note: The above values are calculated on the assumption that no Warrants have been exercised and no Existing Notes repaid. In the case of YSL, it has also been assumed that the share exchange offer to the YSL shareholders has been accepted in full.)

The aggregate principal amount of the New Notes will be FF495,000,000, entitling the holder of each U.S. \$5,000 principal amount of Existing Notes to receive FF33,000 principal amount of New Notes. The Share Payment Ratio between the New Notes has been calculated as provided in the Explanatory Memorandum and will (subject to adjustment in accordance with the Terms and Conditions of the New Notes) be 3.57 Ordinary Shares of Yves Saint Laurent S.A. for each FF1,000 principal amount of New Notes.

Yves Saint Laurent International S.A.

10th November, 1987.

### NOTICE to the holders of the Warrants of Yves Saint Laurent International S.A. to subscribe Ordinary Shares of Yves Saint Laurent S.A.

Notice is hereby given to the holders of the above Warrants that, at the Meetings of such holders convened by the Notice of Meetings published in the Financial Times and the Luxembourg Wort on 24th September, 1987 and held at 11.30 a.m. and 11.45 a.m. (Geneva time) on 16th October, 1987, the Extraordinary Resolutions set out in such Notice were duly passed. Accordingly, the modifications to the Terms and Conditions of such Warrants and the instrument by way of deed poll constituting such Warrants set out in such Extraordinary Resolutions have been made, with effect from 29th October, 1987, by means of a Supplemental Instrument by way of deed poll of the same date.

Notice is also hereby given to such holders that, at the Meeting of such holders convened by the Notice of Meeting published in the Financial Times and the Luxembourg Wort on 5th October, 1987 and held at 11.30 a.m. (London time) on 27th October, 1987, the Extraordinary Resolution set out in such Notice was duly passed.

Yves Saint Laurent International S.A.

10th November, 1987.

Bankers Trust Company  
Dashwood House  
60 Old Broad Street  
London EC2P 2EE

Paying Agents  
Banque Internationale à  
Luxembourg S.A.  
2 Boulevard Royal  
2063 Luxembourg

Credit Suisse  
Paradeplatz 8  
CH-8021 Zurich

Yves Saint Laurent International S.A. is a société anonyme incorporated under the laws of the Republic of France on 30th May, 1984, capital, unless extended, on 30th May, 2002, Registered office: 5 Avenue Marceau, 75116 Paris. Share capital 1,320,000,000 French francs. RCS number: Paris B 328 798 945.

## Blenheim profits nearly trebled

Although Blenheim has made six acquisitions since it joined the Unlisted Securities Market on 'Big Bang' day last year, only one, PKD, made a contribution to these figures. PKD, which runs the Harrogate Gift Fair and the British Craft Trade Fair, was acquired for a maxi-

●comment

Blenheim was a USM hot stock before the crash and its shares have as a result suffered more than most; at 425p, down 20p yesterday, they are well un-

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## TECHNOLOGY

## Data dilemma for Europe's PTTs

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

THE GROWING market in corporate telecommunications will undergo radical change in Europe over the next five years as national barriers are broken down and the distinction between data and voice traffic is eroded.

These are among the conclusions of a new study undertaken by Butler Cox, the independent consulting group, which says that the data communications market presents significant opportunities for new entrants working on an international basis.

According to the report, the expansion of business traffic presents attractive opportunities to the national public telephone operating companies. But Butler Cox throws considerable doubt over the ability of these groups to exploit the market, arguing that the main beneficiaries are likely to be big multinationals with stronger commercial instincts.

"It will be very difficult for the public telephone companies to take advantage of the opportu-

nities because of their commitment to existing services and the restrictions on their sales organisations," says Jim Norton, one of the authors of the study. "The Bundespost salesmen in West Germany, for example, are civil servants, and you cannot build normal incentives and bonuses into their pay structure. I think the PTTs will be hamstrung."

Among the other points made by the report are:

- Data communications is becoming a key area for user companies in establishing their competitive position. This trend is intensifying as business becomes more international.
- Users are gaining more power in the market and are likely to exert their influence increasingly because many of the services are still not being met in Europe. Many companies, for example, would like to be able to go to one operator and buy a complete European service, rather than deal with several different billing points and regulatory authorities.

At least three companies capable of offering a European-wide data service are expected to emerge. These operators will be able to manage all the data communications for their customers.

Although the regulatory position varies in different countries, data communications have largely been deregulated in Europe. As telecommunications systems move over to digital technology, it will be increasingly difficult to distinguish data from voice communications, which are currently regulated. Hence Butler Cox expects voice to be deregulated as well. "If you cannot police a regulation effectively it is hard to enforce it," says Norton.

New investment in private international networks dedicated to the needs of a single company is likely to dry up over the next five years. Public systems will become cheaper, and shared networks will be easier to use. Only a few sectors which

have special needs, such as banking, are likely to retain their private networks: in these areas the network is integrally linked to the product being sold.

Integrated Services Digital Networks (ISDN) technology may not make the impact which is being widely predicted for it. ISDN allows data, voice and video communications to be transmitted through one socket over the same line. It has therefore been seen as a means for the public telephone companies to recapture the market which has switched to private data communications. But if outside network managers come onto the scene to cater to the total telecommunications needs of corporate clients, they may well undermine the impact of ISDN.

To reach these conclusions, Butler Cox says it has interviewed 300 decision makers across Europe. It will be charging between £7,500 and £20,000 for the report, depending on the amount of detail required by the purchaser.

## EAGLE EYE

by Louise Kibben

TECHNOLOGY spin-offs from the US space programme used to be by happenstance. Somebody close to NASA saw commercial potential in the aerospace scientific work of the space laboratories and built a business upon it. Teflon and Tass, the orange powder drink, are the classic examples.

Sometimes the serendipity still works. The "ribbles" coating applied to the America's Cup winning yacht "Stars & Stripes" emanated from NASA research upon shark's skin and the reduced air or water drag effects upon grooved surfaces.

Spotted by a 3M Corporation researcher, the NASA research brief proved to be the key to the manufacture and application of

## Space cowboys

Perceptive Systems of Houston, Texas, is typical of the type of spin-off run by former space agency employees.

The three-year-old company was launched by a bunch of old cowboys from the space agency. "I'm a cowboy," boasts co-founder Don Winkler, who used to work at the Johnson Space Center in Houston, Texas.

The chromosome charting systems that Perceptive Systems have developed have their roots in medical digital imaging systems developed at NASA's Jet Propulsion Laboratory (JPL) in the 1970s, says Kenneth Castleman, president of PSI and former director of biomedical image processing at JPL.

The PSI systems, which are used in prenatal diagnosis of genetic disorders, produce a digitised image of chromosomes called a karyotype. Although PSI has several competitors, the systems are significantly less expensive than others. In part, the company says, this is because all of the basic research was conducted at JPL, so research and development costs have been minimised.

## Bird's eye view

Former NASA scientist, Laurie Johansen, credits the agency with providing an environment in which she, as a biologist, had an opportunity to swap notes with engineers developing light filtering systems used in sun simulators. The result is a fledgling company that produces highly-acclaimed sunglass lenses.

The stimulation of the space laboratories, but also ironically the frustrations of working within its bureaucracy, drove Johansen to start her own company, called Suntiger.

"I think NASA's Jet Propulsion Laboratory service the concept of a transparent welding curtain made of heavy duty vinyl. The curtain blocked some of the high-intensity light while allowing the supervisor to make sure the welder had not fallen asleep," says David Wilson, company founder.

Under competitive pressure, Wilson tried to improve the welding curtains to filter out more of dangerous high energy blue and ultra-violet light. He turned for help to JPL scientists, Charles G. Miller, a nuclear physicist specialising in the interaction of photons with materials, and James B. Stephens, a systems engineer.

Over a three year period, the JPL scientists developed a material that incorporates light filtering dyes and small particles of zinc oxide. The new curtain absorbs, filters and scatters light to improve the safety of welders and co-workers.

As well as filtering out harmful rays, the curtain fluoresces to provide the welder with better ambient lighting.

## Curtained off

Putting related technology to quite another use, the Wilson Sales Company of Rosemead, California, developed safety welding curtains in conjunction with JPL scientists.

## How down to earth research has gained ground at Nasa

a new ridged coating for boats and planes, trademarked "Sevtech".

Today, however, the "bonuses" of commercial spin-offs are becoming a prerequisite of NASA's multi-billion dollar budget and the agency is taking the initiative in transferring space technology "down to earth". Indeed, NASA is promoting itself as a "national resource" to be used to boost American "competitiveness" and positively encouraging industry to tap its technical expertise.

This is a dramatic switch from the good old "glory days" of the US space programme when NASA scientists would hardly stoop to get involved in commercial offshoots of their primary goals. But the transformation is not proving

There may be equivalents but there are no equals.



easy. Establishing good times of communication between the bureaucracy of NASA's laboratories and high-tech entrepreneurs who might take advantage of their resources may be every bit as challenging as sending back pictures of outer space.

NASA is on another planet, "as one high-tech entrepreneur put it. The cultural gap between the commercial world and the space laboratory is immense.

NASA is trying hard, and the agency can boast many apparently successful commercial ventures that have taken advantage of its broad, high technology expertise. Still, most of the space spin-offs are linked to former NASA employees who hardly needed to be told of the wealth of resources within NASA's space programme.

programme has been established, Castleman adds.

NASA employees who have long been discouraged from taking up outside commercial interests will adapt only slowly to the new openness, adds Laurie Johansen of Suntiger.

Companies looking for "free" technology from NASA must also be aware of Castleman's warning, that space technology does not come ready packaged for commercial applications. "NASA has never made a single Teflon coated frying pan," he notes. "Technology transfer cannot substitute for in-house expertise. The company needs to have its own technology resources."

Outside NASA, the company knows-how with help, suggests Johansen. An informal pipeline between JPL and industry has existed for several years in form of "Venture Technology" a company created by JPL engineers involved in the welding curtains project.

But Stevens is an exception to the rule. "I've recognised the need for years to get approval for his commercialisation ideas," according to former colleagues.

## Bridging the gap

A new organisation aiming to bridge the cultural gap between NASA labs and the commercial world is RimTech, a non-profit group that grew out of a Southern Californian high-tech business group's interest in exploiting the potential of NASA's Jet Propulsion Laboratories in Pasadena.

Castleman maintains that entrepreneurs, individuals who understand both the underlying science of new technologies and the markets where they can be applied innovatively, are the best candidates for transferring technology from laboratory to industry.

Acting as a kind of marriage broker, the group has brought together ten small to medium-sized high-tech companies with NASA experts over the past year. For \$25,000 a piece, the companies buy a share in the collective expertise of NASA's thousands of scientists and engineers.

Does the system work? So far, participants are pleased. "We moved further in one day at NASA than we could have in-house in a month," acknowledges one participant. "We could not afford to buy facilities like they have at JPL, but we could pay to use them and immediately broaden our testing capability."

RimTech plans to expand its field of operations into Northern California next year, seeking venture capitalists as new NASA clients. The investors in new high-tech ventures could use NASA's expertise in evaluating business plans and the progress of the companies they have invested in, suggests Andrew Peterson of RimTech.

If it is successful, RimTech will link the citadel of entrepreneurial strength with one of the most powerful scientific research organisations in the world. The combination could be explosive, but will it really assist existing ventures, or will it simply encourage more NASA scientists to seek new challenges in the world of commercial enterprise?

## W.H.Smith gives cable TV a spin

By Geoffrey Charish

AN INTERACTIVE cable television system called Cable Jukebox has been developed by Praxis Systems of Bath, the UK computing systems company. Commissioned by W.H.Smith Cable Television of London, it went into action in Coventry on November 1 and the company will be offering it to other interested cable TV operators. Praxis is also able to develop other systems to specific customers' requirements.

"Jukebox" is an apt description but, instead of putting money in slots, subscribers use hand-held units in conjunction with TV sets to select pay videos from up to 1,000 items held on video disc players at the cable company.

Signals are sent "backwards" up the cable to the company's premises and in 10 seconds or so a message comes back and appears at the top of the screen, indicating when the selection will be played.

Software within an associated minicomputer controls the response to the various requests that are being made by subscribers. For example, the most frequently requested items are played first.

## IBM puzzles industry with a 'late switch of announcements'

BY ALAN CANE

IBM last week lived up to its seven-month-old promise to ship a version of the new operating software for its PS/2 family of personal computers in the first quarter of 1988.

It announced that it will be shipping the new system, OS/2, in January 1988. The announcement, made simultaneously in all IBM's major markets, generated feelings of relief among competitors who had been expecting much more significant news.

It is understood that IBM had, in fact, prepared a number of completely different announcements but withdrew them at the last minute. There was a distinct feeling of disillusionment.

Last week, speaking at a Financial Times conference on professional personal computers, Brian Wiley, group director of workstations for IBM Europe, said that versions of OS/2 had been under test for a year now and that some 1,000 users inside and outside IBM had experience of the software. The response had been gratifying, he said.

OS/2 is a control system for personal computers developed jointly by Microsoft, the software company, and IBM. It is designed specifically for IBM's,

new microcomputer family where it can make the most of features like the power of the Intel 80386 microprocessor chip and IBM's new microchannel computer design.

The version of OS/2 customers will have available in January, however, will be far short of the full power of the system. It will make possible multitasking (the capacity to carry out more than one task at once) and give the ability to use up to 16m characters of memory (16 megabytes). The most powerful IBM PC at present can address only 640,000 characters.

The most important features of the new system, such as "presentation manager" which enables the user to open several "windows" on the screen of the computer to carry out separate tasks, "database manager" which will give personal computers the power to seek and retrieve data in a manner similar to mainframes and "communications manager" which will facilitate the links of personal computers in networks, will not be available until later next year.

IBM also announced: • Displaywrite 4/2, a word processing program running under OS/2, available in the second quarter of 1988.

• An IBM version of Unix, the fast growing multiuser operating system, to run on the PS/2 machines, available in the third quarter of 1988.

• A new version of IBM's 3270 workstation program, available in the second quarter of 1988. Microsoft intends to make versions of OS/2 available commercially. IBM this week implied that its versions gave customers unique advantages. Ian Reynolds, director of sales and services for IBM UK said: "No other version of OS/2 can offer full Systems Applications Architecture and the benefits of portability, systems integration and application consistency."

In the US, IBM advanced the launch of the first standard version of OS/2 to December, a month ahead of schedule, and announced delivery dates for more advanced versions of the operating system in 1988.

IBM's announcement is not expected to significantly hasten the adoption of the new operating system, but it may ease concerns among potential IBM PS/2 customers that availability of the operating system, like so many pre-announced software products, could be delayed.

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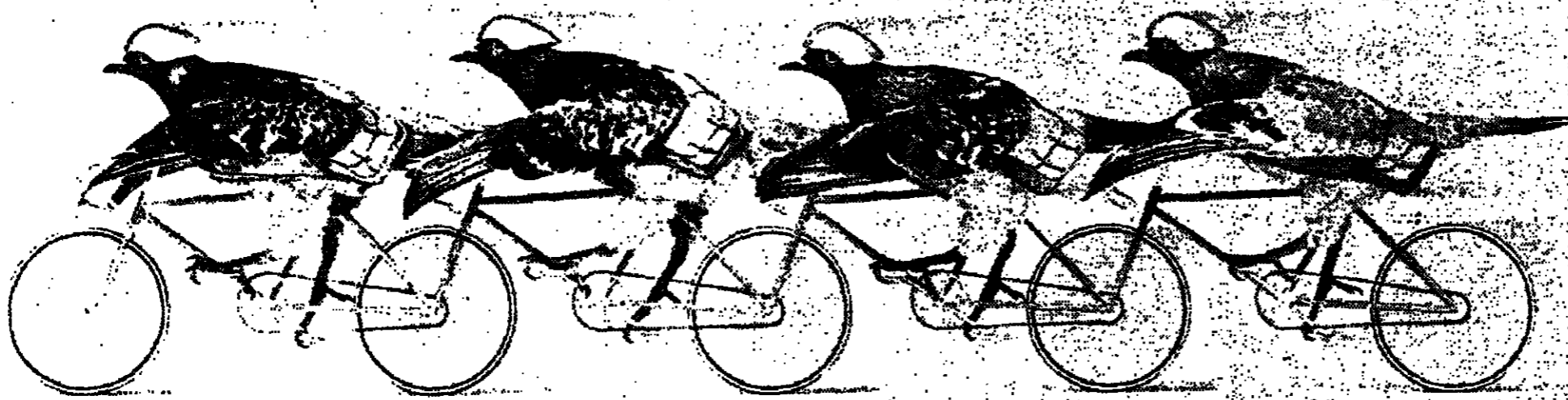
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# Sulphur document cannot be used

**BIBBY BULK CARRIERS LTD  
v CANSULEX LTD**  
Queen's Bench Division (Com-  
mercial Court); Mr Justice Hirst  
October 29 1987

**COGENT AND PERSUASIVE** reasons are required by case law to justify release of a document or disclosure from an implied undertaking that the document is not to be used for a collateral purpose. And even taking account of a subsequent non-retrospective rule of court that the undertaking ceases once the document has been referred to in open court, such reference is insufficient reason in itself to justify release if it received so little publicity that confidentiality was not destroyed, and if there is a risk of prejudice to the owner of the document.

Mr Justice Hirst so held when refusing an application by Bibby Bulk Carriers Ltd and its solicitors to be released from implied undertakings given in the Cambridge action not to use a "discovered" document disclosed by the defendant, Cansulex.

They now applied to be released from the undertakings, so as to be permitted to transmit the document to Pactolus Com-  
pania Naviera SA, for use in an

arbitration. In the action Bibby claimed damages against Cansulex for corrosion to the Cambridge-shire after carrying sulphur from Vancouver to Africa. The claim centred on an allegation that Cansulex shipped cargo dangerous to the vessel in that it possessed the potential to corrode, in breach of the bill of lading contract.

One of the issues was whether sulphur had that propensity, and whether Cansulex knew that it did before it was shipped.

As part of discovery Cansulex disclosed a document consisting of minutes of a meeting held in its conference room in 1974, addressed by an expert in sulphur research. He advised to research on the corrosive effects of wet sulphur on mild steel.

During the action Bibby's counsel read out in open court the body of the document, but not the details of the persons who attended the meeting. It was one of a number of documents by which Bibby sought to fix Cansulex with the relevant knowledge.

The following day Lloyd's List reported the action, with a headline "Court told information on corrosion was concealed." The report contained

no specific mention of, nor any quotation from, the document.

Use of the document was sought by Pactolus in an arbitration relating to a vessel which carried sulphur from Vancouver in summer 1977.

Neither Bibby nor Cansulex was party to the arbitration. Nor was there any connection between Bibby and Pactolus, apart from the fact that both were entered in the same defence association and were represented by the same solicitors.

The alleged significance of the document was that the list of attendees at the meeting included a Mr Y, who was said to have subsequently entered the employ of a Canadian company associated with the respondents in the arbitration. The solicitors wished to use the document to pin knowledge of the alleged corrosive potentialities of sulphur on the respondents, via Mr Y.

Order 24 rule 1A of the Rules of the Supreme Court provided that any undertaking not to use a document for purposes other than the proceedings in which it was disclosed ceased after it was read or referred to in open court, unless the court ordered otherwise "for special reasons". The rule only came into force on October 1 1987. It was not retrospective.

The existence of the implied undertaking had long been recognised and its importance emphasised. In *Home Office v Harman* 1983 1 AC 280 Lord Diplock said an order for production of documents to a solicitor was made on the implied undertaking that he would not use them for any collateral purpose, breach of which was contempt of court.

The majority in *Harman* held that the reading out of a document in court did not bring the implied undertaking to an end. The "ratio decidendi" was that continuance of the undertaking was of paramount importance to encourage full and unreserved disclosure of documents.

In *Crest Homes* 1987 3 WLR 203 Lord Oliver said that to secure release from the undertaking it was necessary for the applicant to demonstrate "cogent and persuasive reasons why it should be released".

In *Sybron* 1985 Ch 299 Mr Justice Scott said that if the confidential nature of the document had vanished due to public discussion, the court should give weight to that fact when deciding whether to grant leave to use it for a collateral purpose.

While renouncing any suggestion that the new rule had retrospective effect, Mr Legg-Jones

for Bibby submitted that it had effected a major policy change and promoted a new discovery regime which fatally undermined the rationale in *Harman*.

He submitted the importance of encouraging full and frank disclosure no longer had paramountcy, because disclosure on discovery would always be subject to the likelihood of the documents being read out in open court and freed from the implied undertaking.

The main majority reasoning in *Harman* was not undermined by the rule, even in the future. It would remain a paramount consideration. If the contrary were so, the value of discovery, which was fundamental in securing the ends of justice, would be seriously compromised.

Undoubtedly the new rule enacted a new regime, but it was much too early to say how the courts would work it out in practice.

Mr Legg-Jones's submission came perilously close to introducing retrospective effect for the new rule by the back door. Such an effect would be particularly unjust to Cansulex seeing it had no opportunity to safeguard its position under the concluding provision of the rule.

The submission was rejected. On the other hand, it would

not be right to turn a completely blind eye to the rule. The court would take it into account in the exercise of its discretion, in a manner similar to that adopted in *Sybron*.

The new rule could not possibly qualify as a "special" circumstance sufficient in itself to justify release of the implied undertaking.

Mr McLaren for Cansulex pointed out that in all the reported cases on release, intended use of the document was to be by the party giving the undertaking, for his own benefit.

That did not rule out the possibility that a case might arise where it was appropriate to allow release for use by third parties, not for the benefit of the party giving the undertaking.

In exercising its discretion whether to release Bibby and the solicitors from the implied undertaking, the court considered *inter alia* whether the document was still confidential.

Merely publication in open court or in a transcript, did not automatically remove a document's confidentiality.

Although the present document was read out in open court and quoted in the transcript, (without listing attendees at the meeting), there was no evidence as to public attendance at the trial, nor of dissemination of

the transcript. The Lloyd's List report contained no quotation from nor reference to the document.

The court was far from satisfied that all the damage had already been done, having regard to the absence of further publication. Nor, on the evidence, did it regard the potential value of the document to Pactolus as very high.

Another consideration was whether release was likely to cause prejudice to Cansulex.

Alleged corrosion by sulphur was a fruitful field of litigation. Although the purpose of using the document in the arbitration would be to pin knowledge on the respondents, it was highly probable it would become known to all parties and their experts.

There was no evidence of likely deliberate impropriety, but there must be a real risk that the document might reveal further dissemination to Cansulex's detriment. There was risk of prejudice to Cansulex.

Those considerations told against grant of the application. Even taking account of Order 24 rule 1A, the arguments in favour fell far short of the "cogent and persuasive" reasons required to justify release.

The application was refused. For Bibby: Nicholas Legg-Jones (Holman Fenwick & Williams). For Cansulex: MD McLaren (Linklaters & Paines).

By Rachel Davies  
Barrister

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## COMMODITIES AND AGRICULTURE

## Drive to bolster lobster supplies

BY DAVID BLACKWELL

THE FIRST round-up of lobsters that have been returned to the wild in an experimental "releasing" scheme by the Seafood Industry Authority is still a couple of years away.

But the experiment, launched in 1984, has been enough of a success so far for the authority to be releasing another 3,800 four-month-old specimens into Scapa Flow in the Orkney Islands today. They will need to survive the perils of the wild for at least five years before they are brought to the table.

The baby lobsters, which are only about three centimetres long, have been reared in captivity at the authority's marine farming unit in Ards, Argyll. The Seafood Industry Authority is a statutory body charged with looking after the industry from the catcher to the table - is running the experiment with the aim of enhancing the availability of stock for commercial fishermen. Last year Scotland's lobster catch was 550 tonnes, worth £4.14m.

A similar experiment aimed at increasing salmon stocks by breeding the fish in captivity and returning the young to the wild has been carried out successfully in Alaska in the US - hence the term "releasing".

Mr Jeremy Cresswell, of the Seafood Authority, said a team of three divers would release the lobsters in five sites around Scapa Flow at depths of 15 to 25 metres "in order to help them to a dangerous world".

Each youngster has been tagged, despite its tiny size, using an injection method which allows it to retain the tag when it sloughs its shell. Local fishermen have proved that it is possible to trap and identify the tagged lobsters.

The project has been backed by both the Highlands and Islands Development Board and the Orkney Islands Council.

Meanwhile the authority's habitat farming project has taken a step forward with the formation of The British Hal-



but Association, which aims to support the development of commercial habitat cultivation in the UK.

Last summer the authority succeeded in breeding halibut for the first time at the Ards research unit. The new association, which has 20 members drawn from the fish farming industry, will provide backing for the authority to collect further potential broodstock from the wild, and to continue breeding and rearing trials.

## Irish company in mineral sands venture

By Kenneth Gooding

KENMARE RESOURCES, the Dublin-based mineral and natural resources company, has agreed a 50-50 joint venture with the Geological Survey of Yugoslavia to develop a mineral sands deposit in Mozambique.

The company says that during the past five years GEO has identified proven reserves of 28m tonnes of ore with an average grade of 8 per cent mineralisation. It claims the current market value of the 2.2m tonnes of heavy minerals in the proven reserves is about \$100m.

The deposit, situated between the towns of Argocha and Sange on the Northeast coast of Mozambique in a strip of coastal dunes, Kenmare says the heavy mineral concentrate yields the following average constituents: zircon 4.4 per cent; titanomagnetite 8.1 per cent; ilmenite 8.6 per cent; rutile 2.6 per cent; monazite 1.3 per cent.

Metallurgical tests indicate possible recovery rates of 85 per cent to 90 per cent, the company states.

**LME WAREHOUSE STOCKS**  
(Change during week ended last Friday)

Aluminium standard	-1,025 to 87,700
Aluminium high grade	+750 to 86,500
Copper	-100 to 59,700
Lead	-700 to 10,150
Nickel	+500 to 3,150
Zinc	-285 to 19,300
Silver (oz)	+182,000 to 20,068,000

## LONDON MARKETS

**COPPER PRICES** continued Friday's strong advance during morning trading on the London Metal Exchange, establishing a backwardation, or cash premium over the three-month forward price of more than £200 a tonne. The bull trend was further boosted by the seventh successive decline in stockpiles at the LME warehouses last week. They fell by 5,575 tonnes to 62,550 tonnes - the lowest level since early in 1974. The fall, which was widely expected in the market, was not as steep as some traders had anticipated. However, prices fell sharply in the afternoon following the further downturn in the stock markets. Trading featured aggressive profit-taking and more enthusiastic selling - that is, selling cash and buying forward. Cash copper was £10 down at the close, while the three-month price added £10, leaving the cash premium at £172.50 a tonne.

Some analysts expect the premium to level off around £250 a tonne before investors are likely to restate metal to the market in any significant quantity.

Aluminium prices continued their decline, with a smaller than expected fall in LME stocks last week helping the trend. Talk in the market that the International Primary Aluminium Institute's September stocks figure, due out today, could show a fall of between 50,000 to 80,000 tonnes over August failed to halt the decline.

**LONDON METAL EXCHANGE** (Prices supplied by Amalgamated Metal Trading)

Cash	3 months	6 months	9 months	12 months
Aluminium, 99.7% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 99.5% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 99.0% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
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Aluminium, 95.5% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
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Aluminium, 94.5% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
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Aluminium, 94.0% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
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Aluminium, 93.5% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
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Aluminium, 93.0% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
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Aluminium, 92.5% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 92.0% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
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Aluminium, 85.5% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 85.0% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 84.5% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 84.0% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 83.5% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 83.0% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 82.5% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 82.0% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 81.5% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 81.0% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 80.5% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 80.0% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 79.5% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 79.0% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 78.5% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 78.0% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 77.5% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 77.0% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 76.5% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 76.0% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 75.5% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 75.0% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 74.5% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 74.0% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 73.5% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 73.0% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 72.5% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 72.0% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 71.5% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 71.0% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 70.5% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 70.0% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 69.5% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 69.0% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 68.5% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 68.0% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 67.5% purity (5 per tonne)	1690-710	1690-710	1690-710	1690-710
Cash	1690-710	1690-710	1690-710	1690-710
Aluminium, 67.0% purity (5 per tonne)	1690-710	1690-7		

## CURRENCIES, MONEY &amp; CAPITAL MARKETS

## FOREIGN EXCHANGES

## Dollar hits record lows

THE DOLLAR continued along its downward path yesterday. There were no new factors, just the strong conviction that the US budget and trade deficits will remain a problem and that the Reagan Administration prefers to let the dollar fall, rather than provoke a recession.

Central bankers held a regular meeting of the Bank for International Settlements in Basel, and dealers were wary of any official comments about the dollar's plight.

No major decisions were expected, however, only the putting together of a framework for a meeting of Group of Seven finance ministers from the leading industrial nations.

The weak dollar reflects fears that the White House and Congress will only agree Budget cuts of \$250m, under the Gramm-Rudman bill, and not the figure of around \$400m needed to reassure the market.

Thursday's US trade figures for September are also not expected to provide a better background for the dollar. The deficit is forecast to remain high, at around \$14bn to \$15bn, compared with \$15.68bn in August.

The dollar fell to a record closing low of DM1.6690 from DM1.6750, to a record \$134.20 from \$135.35, to FF5.63 from FF5.6950, and to SF1.3635 from SF1.3810.

STERLING trading range against the dollar in 1987 is 1.7950 to 1.4710. October average 1.6620. Exchange rate index fell 0.1 to 78.6.

## 2 IN NEW YORK

STERLING trading range against the dollar in 1987 is 1.7950 to 1.4710. October average 1.6620. Exchange rate index fell 0.1 to 78.6.

## STERLING INDEX

Nov 9	Nov 8	Nov 7	Nov 6	Nov 5
100	100	100	100	100
101	101	101	101	101
102	102	102	102	102
103	103	103	103	103
104	104	104	104	104
105	105	105	105	105
106	106	106	106	106
107	107	107	107	107
108	108	108	108	108
109	109	109	109	109
110	110	110	110	110
111	111	111	111	111
112	112	112	112	112
113	113	113	113	113
114	114	114	114	114
115	115	115	115	115
116	116	116	116	116
117	117	117	117	117
118	118	118	118	118
119	119	119	119	119
120	120	120	120	120

## CURRENCY RATES

Nov 9	Nov 8	Nov 7	Nov 6	Nov 5
100	100	100	100	100
101	101	101	101	101
102	102	102	102	102
103	103	103	103	103
104	104	104	104	104
105	105	105	105	105
106	106	106	106	106
107	107	107	107	107
108	108	108	108	108
109	109	109	109	109
110	110	110	110	110
111	111	111	111	111
112	112	112	112	112
113	113	113	113	113
114	114	114	114	114
115	115	115	115	115
116	116	116	116	116
117	117	117	117	117
118	118	118	118	118
119	119	119	119	119
120	120	120	120	120

## CURRENCY MOVEMENTS

Nov 9	Nov 8	Nov 7	Nov 6	Nov 5
100	100	100	100	100
101	101	101	101	101
102	102	102	102	102
103	103	103	103	103
104	104	104	104	104
105	105	105	105	105
106	106	106	106	106
107	107	107	107	107
108	108	108	108	108
109	109	109	109	109
110	110	110	110	110
111	111	111	111	111
112	112	112	112	112
113	113	113	113	113
114	114	114	114	114
115	115	115	115	115
116	116	116	116	116
117	117	117	117	117
118	118	118	118	118
119	119	119	119	119
120	120	120	120	120

## OTHER CURRENCIES

Nov 9	Nov 8	Nov 7	Nov 6	Nov 5
100	100	100	100	100
101	101	101	101	101
102	102	102	102	102
103	103	103	103	103
104	104	104	104	104
105	105	105	105	105
106	106	106	106	106
107	107	107	107	107
108	108	108	108	108
109	109	109	109	109
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112	112	112	112	112
113	113	113	113	113
114	114	114	114	114
115	115	115	115	115
116	116	116	116	116
117	117	117	117	117
118	118	118	118	118
119	119	119	119	119
120	120	120	120	120

## MONEY MARKETS

## Lower UK rates

PRESSURE CONTINUED for another cut in UK bank base rates yesterday, but was again resisted by the Bank of England.

Three-month interbank bill to 8 1/4% p.c. from 8 1/2% p.c. and the market was generally reluctant to sell bills to the authorities at the existing intervention rate of 8 1/4% p.c.

UK clearing bank base lending rate 9 per cent from November 5.

From the start of trading it was clear the Bank of England expected pressure for a rate cut and intended to resist. In spite of forecasting a very large money market shortage the authorities did not offer an early round of assistance, realising that bills would not be offered at acceptable rates.

The Bank of England initially forecast a money market shortage of \$1,200m, but revised this to \$1,100m at noon, and to \$1,150m in the afternoon. Total help of \$880m was provided.

Before lunch the authorities bought bills totalling \$300m, including \$100m outright in hand 1 at 8 1/4% p.c. Another \$200m were purchased for resale to the market in equal amounts on November 30 and December 7 at a rate of 8 1/4% p.c.

In the afternoon the Bank of England purchased another \$400m bills, including \$277m outright, through \$180m bank bills in hand 1 at 8 1/4% p.c. and

compared with 78.6 six months ago.

Sterling rose against the weakening dollar and eased a little in terms of other major currencies, but was generally on the sidelines. Attention remained focused on the dollar.

There was virtually no reaction to October UK producer prices. Output prices rose more than expected, at 0.5 p.c., but input prices fell by a larger than forecast 0.4 p.c.

Sterling rose 1.20 cents to \$1.7945-1.7955, the highest closing level since June 1982. On the other hand the pound fell to DM2.9775 from DM2.9875; to FF10.1050 from FF10.9875; and to SF2.4475 from SF2.4625; and to Y240.75 from Y241.25.

D-MARK trading range against the dollar in 1987 is 1.9305 to 1.6590. October average 1.8011. Exchange rate index 181.5 against 147.0 six months ago.

The Bundesbank did not intervene when the dollar was fixed at a record low of DM1.6719 in Frankfurt, compared with DM1.6705 on Friday.

Bank of France intervention to support the franc against the D-Mark in the European Monetary

## EMS EUROPEAN CURRENCY UNIT RATES

Nov 9	Nov 8	Nov 7	Nov 6	Nov 5
100	100	100	100	100
101	101	101	101	101
102	102	102	102	102
103	103	103	103	103
104	104	104	104	104
105	105	105	105	105
106	106	106	106	106
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116	116	116	116	116
117	117	117	117	117
118	118	118	118	118
119	119	119	119	119
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## DOLLAR SPOT - FORWARD AGAINST THE POUND

Nov 9	Nov 8	Nov 7	Nov 6	Nov 5
100	100	100	100	100
101	101	101	101	101
102	102	102	102	102
103	103	103	103	103
104	104	104	104	104
105	105	105	105	105
106	106	106	106	106
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116	116	116	116	116
117	117	117	117	117
118	118	118	118	118
119	119	119	119	119
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## DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Nov 9	Nov 8	Nov 7	Nov 6	Nov 5
100	100	100	100	100
101	101	101	101	101
102	102	102	102	102
103	103	103	103	103
104	104	104	104	104
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## EURO-CURRENCY INTEREST RATES

Nov 9	Nov 8	Nov 7	Nov 6	Nov 5
100	100	100	100	100
101	101	101	101	101
102	102	102	102	102
103	103	103	103	103
104	104	104	104	104
105	105	105	105	105
106	106	106	106	106
107	107	107	107	107
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118	118	118	118	118
119	119	119	119	119
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## EXCHANGE CROSS RATES

Nov 9	Nov 8	Nov 7	Nov 6	Nov 5
100	100	100	100	100
101	101	101	101	101
102	102	102	102	102
103	103	103	103	103
104	104	104	104	104
105	105	105	105	105
106	106	106	106	106
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## NEW YORK

E \$	1 0.957	1.795 1	2.978 1.659	260.8 134.1	1 5
DM	0.336 4.134	0.648 7.636	1 12.37	80.85 1000.	1 4
F F. S F.	0.050 0.409	1.776 0.733	2.947 1.217	238.2 96.37	1 4
N FL Low	0.299 0.455	0.536 0.817	0.889 1.355	71.57 109.5	1 4
C \$ B.F.	0.622 0.329	1.257 2.865	1.257 4.753	101.6 394.3	1 4

**FT UNIT TRUST INFORMATION SERVICE**

## AUTHORISED UNIT TRUSTS

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NATIONAL AND REGIONAL MARKETS	FRIDAY NOVEMBER 6 1987					THURSDAY NOVEMBER 5 1987					DOLLAR INDEX	
	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)	
Figures in parentheses show number of stocks per grouping												
Australia (190)	93.40	+0.2	78.77	92.21	4.24	94.51	78.47	92.81	180.81	94.51	93.13	
Austria (16)	94.73	+0.1	77.66	81.45	3.44	93.47	77.61	81.68	182.67	93.47	91.33	
Belgium (162)	102.52	+0.6	85.88	99.21	5.26	97.51	82.46	87.08	193.78	97.51	96.33	
Canada (127)	102.80	+0.7	85.48	98.22	3.10	102.05	84.74	96.36	141.78	98.15	100.10	
Denmark (38)	111.22	+1.6	92.48	97.39	3.01	109.44	90.87	96.71	124.83	98.18	97.33	
France (320)	86.26	-0.1	71.72	77.06	3.57	86.95	71.70	76.79	121.82	86.26	86.46	
FRG (Germany) (99)	78.81	+0.1	68.61	80.26	3.91	78.81	68.61	80.26	93.78	78.81	93.78	
Hong Kong (4)	100.01	+6.8	67.32	81.96	5.56	75.82	62.92	76.00	158.68	75.82	86.46	
Ireland (14)	101.69	-0.1	84.55	90.49	5.00	101.38	84.35	90.02	160.22	99.50	87.45	
Italy (95)	74.10	-2.3	61.62	68.48	2.79	75.88	63.01	70.10	112.11	74.10	101.09	
Japan (438)	157.25	+0.1	114.12	116.25	0.59	157.07	114.79	116.25	174.89	157.25	101.09	
Malaysia (34)	102.45	-0.3	87.68	101.23	3.54	102.80	87.85	101.69	193.64	98.24	101.75	
Mexico (14)	122.22	-5.3	159.00	347.89	0.86	122.01	167.74	367.08	422.59	99.72	90.19	
Netherlands (37)	93.90	-0.0	79.75	92.95	5.45	95.74	82.28	83.43	131.41	92.89	94.64	
New Zealand (23)	95.49	+7.0	84.26	90.86	3.46	95.49	84.26	90.86	101.01	95.49	94.64	
Portugal (1)	113.92	+7.2	98.96	96.96	2.75	115.07	95.55	100.31	185.01	100.00	103.57	
Singapore (27)	97.33	+1.0	80.93	91.87	2.60	96.39	80.40	91.24	174.28	97.33	101.59	
South Africa (61)	116.38	+3.5	96.77	91.80	4.89	112.46	93.38	84.07	198.09	100.00	98.80	
Spain (43)	129.30	+0.2	107.51	110.25	1.67	128.32	106.65	109.94	166.81	100.00	86.43	
Sweden (34)	99.67	-2.3	82.88	89.16	2.56	97.39	80.87	87.41	136.64	80.85	103.47	
Switzerland (53)	81.67	-0.1	67.91	69.92	2.40	81.73	67.86	69.31	111.11	80.90	90.75	
United Kingdom (332)	117.95	-1.2	91.44	94.48	1.92	117.62	91.62	96.82	162.67	96.65	95.26	
USA (582)	102.17	-0.6	84.56	102.17	3.56	102.74	84.56	102.74	120.82	99.43	98.83	
Europe (77)	98.21	-0.2	81.74	84.21	3.98	98.72	81.67	84.21	120.82	98.21	98.83	
Pacific Basin (680)	113.56	-0.1	111.06	113.52	0.80	133.39	110.76	114.42	158.77	100.00	87.71	
Euro-Pacific (1627)	91.45	-0.1	99.33	102.84	1.85	91.56	99.28	102.46	143.65	100.00	90.30	
North America (799)	91.45	-1.4	84.98	101.36	3.56	103.64	86.06	103.46	137.25	93.30	102.21	
Asia-Pacific (222)	91.01	-0.7	71.61	75.85	3.39	91.01	71.61	75.85	94.39	91.01	91.01	
Pacific Ex. Japan (222)	89.08	-2.8	74.07	86.46	4.66	86.68	71.98	84.64	164.03	86.68	91.61	
World Ex. US (1820)	111.89	-0.0	96.86	102.67	1.92	111.93	96.85	102.28	143.38	100.00	90.75	
World Ex. UK (799)	91.01	-1.91	83.03	86.46	3.39	91.01	83.03	86.46	103.57	91.01	91.01	
World Ex. S. & A. (2350)	117.95	-0.6	93.43	102.68	2.48	118.03	93.75	105.00	139.47	100.00	92.19	
World Ex. Japan (2411)	100.51	-0.9	83.57	95.03	2.75	101.43	84.22	95.88	134.22	96.44	98.97	
The World Index (9553)	112.40	-0.6	93.46	102.99	3.50	113.03	93.85	102.69	139.73	100.00	95.21	

Base values: Dec. 31, 1986 = 100

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New York market closed at 15:00 hrs local time

CONSTITUENT CHANGES: Deletions: Leducq (France), Hill Samuel (UK), Canlitac Fairview (Canada) and Piedmont Aviation (US). Name change: Most-Hanssens to LYMH (France).

## EUROPEAN OPTIONS EXCHANGE

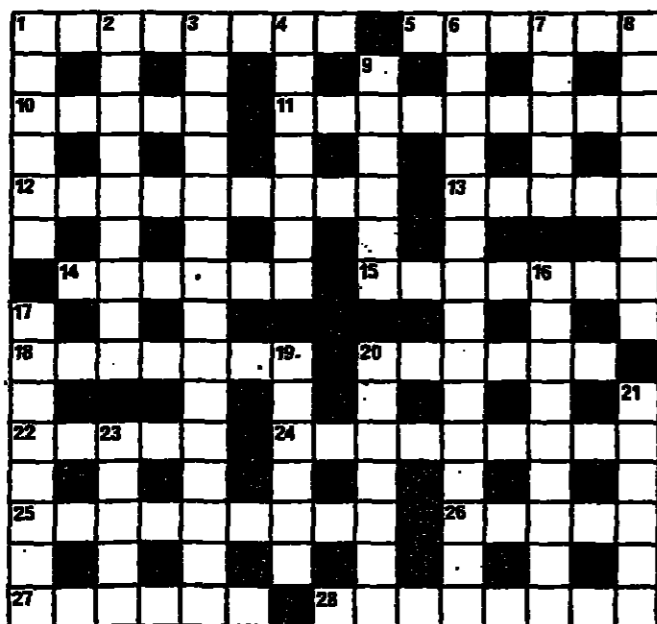
		Nov 87		Feb 88		May 88		Stock	
	Series	Vol.	Last	Vol.	Last	Vol.	Last		
GOLD C	\$460	145	1.9	31	31.50				\$464.24
GOLD C	\$480	17	2.83	2	2.83				"
GOLD C	\$500	818	1.80	26	14.50				"
GOLD C	\$420	1	0.00	1	0.00				"
GOLD P	\$420			549	6.50	34	30		"
GOLD P	\$440			10	10	30	14.50		"
GOLD P	\$460	102	5	10	10	110	27		"
GOLD P	\$480		198	150	28	110	20		"
GOLD P	\$500			102	102	110	100		"
		Nov. 87		Dec. 87		Jan. 88			
EOE Index C	F1345			86	11.50	51	13.50		F1359.40
EOE Index P	F1380	512		277	17	159.40	34	17.50	
EOE Index C	F1345		4	277	17	34	42.50		
EOE Index P	F1370			271	19.508				
EOE Index C	F1355					24	47		\$305.62
SFF C	F1405			2	5.50	104	5.50		F1397.65
SFF C	F1420	150	3.60			5	1.70		
SFF C	F1435		0.00A			33	1.70		
SFF P	F1388			285	37	415	20		
SFF P	F1400	658	1.70	393	33	39	6.608		
SFF P	F1390		3.20	300	8.50	7	2.408		
SFF P	F1405			10	10	10	10		
SFF P	F1420	13	11.50	21	13	5	14.40		
SFF P	F1435			1022	17.50				
		Mar. 88		June 88		Sept. 88			
SFF C	F1380					50	1.80		F1397.65
SFF C	F1390	102	4.80			56	6.60		
SFF C	F1405	102	1.20			50	2.50		
SFF C	F1420	368	3.80			1200	2.50		
SFF P	F1385		5.50	10	7.50				
SFF P	F1390	44							
		Jan. 88		Apr. 88		Jul. 88			
ABM C	F135	233	3.90	3	6.10				F136.20
ABM C	F146	217	10.50	470	10.70				
ABM C	\$0	0	0.50						F149.40
ANGLO C	F140	35	3			7	6		F160
ANGLO C	F140	362	7.90	29	8.508	14	108		F159.80
AKZO C	F140	32	3.50						F137
AKZO C	F190 C	140	3.15	35	3.50				F134
ELSTERB. C	F140	164	2.50	35	3.50	25	4.80		F127.10
GIST-SONNE C	F130	17	2.70	35	4.50				F127.10
GIST-SONNE C	F130	140	3.15	35	3.50				F127.10
HEINEMAN P	F1210	68	7.90	30	11				F120
HOEGES C	F1210	62	7.20	30	11				F120.50
HOEGES C	F1210	62	7.20	30	11				F120.50
HOEGES C	F1210	62	7.20	30	11				F120.50
HOEGES C	F1210	62	7.20	30	11				F120.50
HOEGES C	F1210	62	7.20	30	11				F120.50
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HOEGES C	F1210	62	7.20	30	11				F120.50
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HOEGES C	F1210	62	7.20	30	11				F120.50
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HOEGES C	F1210	62	7.20	30	11				F120.50
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HOEGES C	F1210	62	7.20	30	11				F120.50
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HOEGES C	F1210	62	7.20	30	11				F120.50
HOEGES C	F1210	62	7.20	30	11				F120.50
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HOEGES C	F1210	62	7.20	30	11				F120.50
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HOEGES C	F1210	62	7.20	30	11				F120.50
HOEGES C	F1210	62	7.20	30	11				F120.50
HOEGES C	F1210	62	7.20	30	11				F120.50
HOEGES C	F1210	62	7.20	30	11				F120.50
HOEGES C	F1210	62	7.20	30	11				F120.50
HOEGES C	F1210	62	7.20	30	11				F120.50
HOEGES C	F1210	62	7.20						

## BASE LENDING RATES

[illegible]

**FT CROSSWORD No.6,478**  
**SET BY HIGHLANDER**

SET BY HIGHLANDER



**ACROSS**

- 1 Department calls for tax on some cars (8)
- 5 Beginning with old-fashion (6)
- 10 Brief letter sent to shareholders incorporates it (5)
- 11 Nineteenth century construction (4-4)
- 13 It's revealing the one who starts to study first (3-5)
- 15 Speech by hundred on the stage (5)
- 14 Someone engaged in money management pointlessly (6)
- 6 Copper's overturned the island to find the devil (7)
- 12 Depend on wretched fellow being guilty (7)
- 20 Eastern religion is shaky on this (6)
- 16 Mountain hospital has a top grading (5)
- 24 Not exactly rounded character (8)
- 23 Stretched a point and led dancing (8)
- 26 Discounted transport system approved by engineer (8)
- 27 Report is about overdue (8)
- 28 Tried one that could be adjusted (8)

**DOWN**

- 4 Feel sorry about regular income (7)
- 6 In France one has to lie; job can be otherwise quite pleasant (15)
- 7 Threw one into discord (5)
- 8 Unable to judge pitch, Elton said (4-4)
- 9 He tried unsuccessfully to fly machine between island and America (6)
- 10 He's much superlatively and make it last (8)
- 17 We have row: a little bird said so (8)
- 19 Pick up sound in front of the door (8)
- 20 One who takes his leave on second river in Germany (7)
- 21 Long speech made by offering accepting credit (8)
- 22 Hunt for waterlily - wings only (5)

**Solution to Puzzle No.477**

P	A	G	O	D	A	E	H	E	M		
A	A	I	X	N	A						
U	N	D	R	E	S	S	P	U	N	C	T
I	B	M	L	A	S						
A	C	C	O	U	N	T	A	N	T		
I	E	A									
S	A	L	V	E							
O	L	C	A	N	L						

**DOWN**  
1 Import material (6)  
2 European won in gear-  
change (9)  
3 Nightcap perhaps could  
shield one from it (8 7)

P	A	G	A	D	A	R	E	M	
A	A	R	X	N	A				
A	D	R	E	S	S	P	I	N	G
I	B	I	M	L	A	S			
A	C	C	O	U	N	T	A	N	T
I	F	R	E	I					
S	A	L	V	E	C	H	A	N	D
O	C	A	N						
L	U	D	D	I	T	E	S	A	R
V	I	I	R	O					
S	E	T	S	D	E	T	A	C	H
N	R	E	E	H	I	O			
R	I	S	S	O					
R	B	E	S	A	E				
S	H	E	A	R	S	T	A	L	S

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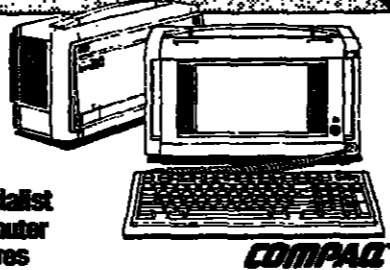
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GRANVILLE  
SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross Yield	P/E
200	145	Ans. Brkt. Ind. Ordinary	200	+6	8.8	—
200	145	Ans. Brkt. Ind. CULS	200	—	10.0	50
41	32	Armistage & Rhodes	32	—	4.2	131.5
142	95	B&B Design Group (USM)	155	+5	2.7	138
142	95	B&B Design Group (USM)	155	—	2.8	138
186	95	Bray Technologies	163 $\frac{1}{2}$	—	4.7	29.5
186	95	Bray Technologies	163 $\frac{1}{2}$	—	4.7	29.5
287	130	CCCL Group Ordinary	265	—	11.5	4.3
287	130	CCCL Group 11% Conv. Pref.	135	—	13.7	11.6
171	95	Carbondorn Ordinary	157 $\frac{1}{2}$	—	3.4	13.7
171	95	Carbondorn 5.5% Pref.	157 $\frac{1}{2}$	—	10.7	10.3
190	67	George Blair	156 $\frac{1}{2}$	—	3.7	2.4
249	119	Ista Group	94	—	2	—
102	59	Jackson Group	98	—	3.4	13.5
320	130	Milhouse NV (Armist)	330	—	10.1	12.7
70	35	Record Holdings (SEI)	70	—	0.1	24.1
114	83	Record Holdings 10pcP1(SEE)	114	—	14.1	12.4
91	60	Robert Jenkins	60	—	3	2.6
124	42	Scrutons	104 $\frac{1}{2}$	—	5.5	33
124	42	Scrutons	104 $\frac{1}{2}$	—	4.4	4.9
58	32	Trevlin Holdings	58 $\frac{1}{2}$	+2	0.8	1.3
131	65	Univolt Holdings (SEI)	65 $\frac{1}{2}$	—	2.8	4.3
264	115	Walter Alexander (SEI)	175 $\frac{1}{2}$	—	5.9	3.4
201	190	W. S. Venas	200	—	11.7	10.0
—	—	West-York Dr. Iron (USM)	180	—	9.8	39.9

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of The Stock Exchange. Other securities listed above are dealt in subject to the rules of FIMBRA.

**Granville & Company Limited**  
8 Lovat Lane, London EC3R 8DP  
Telephone 01-621 1212  
Member of FIMBRA

**Granville Davies Coleman Limited**  
27 Lovat Lane, London EC3R 8DT  
Telephone 01-621 1212  
Member of the Stock Exchange

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## AUTHORISED UNIT TRUSTS

[illegible]

Continued on next page

هكذا فعل الله

## LONDON SHARE SERVICE

[illegible]

## Money Market Bank Accounts

[illegible]

**AMERICANS—Continued**

## BUILDING. TIMBER.

### DRAPERY AND STORES—Cont.

## ENGINEERING—Continued

## INDUSTRIALS—Continued

[illegible]

Landers (Hidy)	320	110.0	2
	200	11.7	2

## ELECTRICAL S

19	BET	204		9.0	1.8	6
200	BET	204		9.0	1.8	6

## BANKS, HP & LEASING

Allied Colloids Inc.	162	-9	51.88
Auerbach Int'l.	308	-62	18.2

23	14.0	86	38	Densitron Intl. Sp	38	-5	1.1	1.6	4.0	19
27	3.7	12.3	85	Edman's Steel	170		4.2	1.6	4.8	8

75	312	Wheatland	35	0.4	1.6
278	154	Wheat (James)	154	-75	17.8

95	95	1.8	1.8
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4.4	173	486	292	PowerLite 500	338	-7	165	13
		126	88	RCO 10p	88		1391	21

Anchor Chemical	438	-10	5.0	3
Astra Holdings Sp	26	-9	0.87	

**FOOD GROCERIES ETC**

242	Black Hens 5p	15	1	0.00	0.00
152	Black Hens 5p	15	1	0.00	0.00

119	121	88	Shorplan Sp	80	116	36
117	122	77	Shorplan Sp	80	116	36

## BEERS, WINES & SPIRITS

Boston Text Sp	35	2	1
Banner	80	3	10.5

0.3	0.9	23.7	68	49	Murray Electronics	90	+1	0.2	0.5
			67	73	Shannon Tech. Inc.	73		0.6	0.8

283	218	Richshire W Foods Sp.	278	40.06	26
570	285	Clifford's Dairies	515	18.0	22

14	Episc. Hous. 50	272	17.5	17
143	Episc. Hous.	188	4.0	3.2

1.7	19.4	25.2	106	*Task Force 5p	175	5	LL82	4.0
2.9	12.9	500	258	*Task Force 5p	482	13	LL82	3.8

Brown (N) 20p	790	-2	17.5
Brown Coat 50p	223	-5	15.7

## HOTELS AND CATERERS

273	Hartung Assoc.	1972	6	1972	4.5
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25 103

## BUILDING, TIMBER, ROADS

Gent (S.R.) 100	73	1.0
Fluorocarbon 100	198	16.5

1.7	1.9	1.75	285	108	Radius 5p	185	15	130	32	22	19
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193	81	Northland Pk. 10p	125	2	12.7	25
199	122	Northland Pk. 10p	125	2	12.88	27

97	De 5.75% De Co Rd Pl	101	-2	5.75%	69.7
110	Wards (De 1.2%)	190		15.0	23

7.8	—	48	5	Webster 7p	28	0.35	4.4
5.3	71.6	821	32				

Goldberg (A.)	143	-2	14.75
Continuum Box 50	36		

## ENGINEERING

225	Keep Trust	260	5.5	16.75	4.0
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3.6	8.9	E37	E212	Lincoln Nat Com \$1	E245	-7%	051.84	-
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2013-2014-2015-2016-2017-2018-2019-2020-2021-2022-2023-2024-2025-2026-2027-2028-2029-2030-2031-2032-2033-2034-2035-2036-2037-2038-2039-2040-2041-2042-2043-2044-2045-2046-2047-2048-2049-2050-2051-2052-2053-2054-2055-2056-2057-2058-2059-2060-2061-2062-2063-2064-2065-2066-2067-2068-2069-2070-2071-2072-2073-2074-2075-2076-2077-2078-2079-2080-2081-2082-2083-2084-2085-2086-2087-2088-2089-2090-2091-2092-2093-2094-2095-2096-2097-2098-2099-2100-2101-2102-2103-2104-2105-2106-2107-2108-2109-2110-2111-2112-2113-2114-2115-2116-2117-2118-2119-2120-2121-2122-2123-2124-2125-2126-2127-2128-2129-2130-2131-2132-2133-2134-2135-2136-2137-2138-2139-2140-2141-2142-2143-2144-2145-2146-2147-2148-2149-2150-2151-2152-2153-2154-2155-2156-2157-2158-2159-2160-2161-2162-2163-2164-2165-2166-2167-2168-2169-2170-2171-2172-2173-2174-2175-2176-2177-2178-2179-2180-2181-2182-2183-2184-2185-2186-2187-2188-2189-2190-2191-2192-2193-2194-2195-2196-2197-2198-2199-2200-2201-2202-2203-2204-2205-2206-2207-2208-2209-2210-2211-2212-2213-2214-2215-2216-2217-2218-2219-2220-2221-2222-2223-2224-2225-2226-2227-2228-2229-2230-2231-2232-2233-2234-2235-2236-2237-2238-2239-2240-2241-2242-2243-2244-2245-2246-2247-2248-2249-2250-2251-2252-2253-2254-2255-2256-2257-2258-2259-2260-2261-2262-2263-2264-2265-2266-2267-2268-2269-2270-2271-2272-2273-2274-2275-2276-2277-2278-2279-2280-2281-2282-2283-2284-2285-2286-2287-2288-2289-2290-2291-2292-2293-2294-2295-2296-2297-2298-2299-2300-2301-2302-2303-2304-2305-2306-2307-2308-2309-2310-2311-2312-2313-2314-2315-2316-2317-2318-2319-2320-2321-2322-2323-2324-2325-2326-2327-2328-2329-2330-2331-2332-2333-2334-2335-2336-2337-2338-2339-2340-2341-2342-2343-2344-2345-2346-2347-2348-2349-2350-2351-2352-2353-2354-2355-2356-2357-2358-2359-2360-2361-2362-2363-2364-2365-2366-2367-2368-2369-2370-2371-2372-2373-2374-2375-2376-2377-2378-2379-2380-2381-2382-2383-2384-2385-2386-2387-2388-2389-2390-2391-2392-2393-2394-2395-2396-2397-2398-2399-2400-2401-2402-2403-2404-2405-2406-2407-2408-2409-2410-2411-2412-2413-2414-2415-2416-2417-2418-2419-2420-2421-2422-2423-2424-2425-2426-2427-2428-2429-2430-2431-2432-2433-2434-2435-2436-2437-2438-2439-2440-2441-2442-2443-2444-2445-2446-2447-2448-2449-2450-2451-2452-2453-2454-2455-2456-2457-2458-2459-2460-2461-2462-2463-2464-2465-2466-2467-2468-2469-2470-2471-2472-2473-2474-2475-2476-2477-2478-2479-2480-2481-2482-2483-2484-2485-2486-2487-2488-2489-2490-2491-2492-2493-2494-2495-2496-2497-2498-2499-2500-2501-2502-2503-2504-2505-2506-2507-2508-2509-2510-2511-2512-2513-2514-2515-2516-2517-2518-2519-2520-2521-2522-2523-2524-2525-2526-2527-2528-2529-2530-2531-2532-2533-2534-2535-2536-2537-2538-2539-2540-2541-2542-2543-2544-2545-2546-2547-2548-2549-2550-2551-2552-2553-2554-2555-2556-2557-2558-2559-2560-2561-2562-2563-2564-2565-2566-2567-2568-2569-2570-2571-2572-2573-2574-2575-2576-2577-2578-2579-2580-2581-2582-2583-2584-2585-2586-2587-2588-2589-2590-2591-2592-2593-2594-2595-2596-2597-2598-2599-2600-2601-2602-2603-2604-2605-2606-2607-2608-2609-2610-2611-2612-2613-2614-2615-2616-2617-2618-2619-2620-2621-2622-2623-2624-2625-2626-2627-2628-2629-2630-2631-2632-2633-2634-2635-2636-2637-2638-2639-2640-2641-2642-2643-2644-2645-2646-2647-2648-2649-2650-2651-2652-2653-2654-2655-2656-2657-2658-2659-2660-2661-2662-2663-2664-2665-2666-2667-2668-2669-2670-2671-2672-2673-2674-2675-2676-2677-2678-2679-2680-2681-2682-2683-2684-2685-2686-2687-2688-2689-2690-2691-2692-2693-2694-2695-2696-2697-2698-2699-2700-2701-2702-2703-2704-2705-2706-2707-2708-2709-2710-2711-2712-2713-2714-2715-2716-2717-2718-2719-2720-2721-2722-2723-2724-2725-2726-2727-2728-2729-2730-2731-2732-2733-2734-2735-2736-2737-2738-2739-2740-2741-2742-2743-2744-2745-2746-2747-2748-2749-2750-2751-2752-2753-2754-2755-2756-2757-2758-2759-2760-2761-2762-2763-2764-2765-2766-2767-2768-2769-2770-2771-2772-2773-2774-2775-2776-2777-2778-2779-2780-2781-2782-2783-2784-2785-2786-2787-2788-2789-2790-2791-2792-2793-2794-2795-2796-2797-2798-2799-2800-2801-2802-2803-2804-2805-2806-2807-2808-2809-2810-2811-2812-2813-2814-2815-2816-2817-2818-2819-2820-2821-2822-2823-2824-2825-2826-2827-2828-2829-2830-2831

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**MINES—Continued**[illegible]

### THIRD MARKET

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Publicatg Hldgs 5p	30	3
Gencon Hldgs	20	2
Gencon Hldgs	50	

<p>                 25 Indicated, prices and net dividends are in \$25. Discounted prices and net dividends are in \$25. Discounted prices and net dividends are in \$25. Discounted prices and net dividends are in \$25.             </p>	<p>                 L24 L25 L26 L27 L28 L29 L30 L31 L32 L33 L34 L35 L36 L37 L38 L39 L40 L41 L42 L43 L44 L45 L46 L47 L48 L49 L50 L51 L52 L53 L54 L55 L56 L57 L58 L59 L60 L61 L62 L63 L64 L65 L66 L67 L68 L69 L70 L71 L72 L73 L74 L75 L76 L77 L78 L79 L80 L81 L82 L83 L84 L85 L86 L87 L88 L89 L90 L91 L92 L93 L94 L95 L96 L97 L98 L99 L100 L101 L102 L103 L104 L105 L106 L107 L108 L109 L110 L111 L112 L113 L114 L115 L116 L117 L118 L119 L120 L121 L122 L123 L124 L125 L126 L127 L128 L129 L130 L131 L132 L133 L134 L135 L136 L137 L138 L139 L140 L141 L142 L143 L144 L145 L146 L147 L148 L149 L150 L151 L152 L153 L154 L155 L156 L157 L158 L159 L160 L161 L162 L163 L164 L165 L166 L167 L168 L169 L170 L171 L172 L173 L174 L175 L176 L177 L178 L179 L180 L181 L182 L183 L184 L185 L186 L187 L188 L189 L190 L191 L192 L193 L194 L195 L196 L197 L198 L199 L200 L201 L202 L203 L204 L205 L206 L207 L208 L209 L210 L211 L212 L213 L214 L215 L216 L217 L218 L219 L220 L221 L222 L223 L224 L225 L226 L227 L228 L229 L230 L231 L232 L233 L234 L235 L236 L237 L238 L239 L240 L241 L242 L243 L244 L245 L246 L247 L248 L249 L250 L251 L252 L253 L254 L255 L256 L257 L258 L259 L260 L261 L262 L263 L264 L265 L266 L267 L268 L269 L270 L271 L272 L273 L274 L275 L276 L277 L278 L279 L280 L281 L282 L283 L284 L285 L286 L287 L288 L289 L290 L291 L292 L293 L294 L295 L296 L297 L298 L299 L300 L301 L302 L303 L304 L305 L306 L307 L308 L309 L310 L311 L312 L313 L314 L315 L316 L317 L318 L319 L320 L321 L322 L323 L324 L325 L326 L327 L328 L329 L330 L331 L332 L333 L334 L335 L336 L337 L338 L339 L340 L341 L342 L343 L344 L345 L346 L347 L348 L349 L350 L351 L352 L353 L354 L355 L356 L357 L358 L359 L360 L361 L362 L363 L364 L365 L366 L367 L368 L369 L370 L371 L372 L373 L374 L375 L376 L377 L378 L379 L380 L381 L382 L383 L384 L385 L386 L387 L388 L389 L390 L391 L392 L393 L394 L395 L396 L397 L398 L399 L400 L401 L402 L403 L404 L405 L406 L407 L408 L409 L410 L411 L412 L413 L414 L415 L416 L417 L418 L419 L420 L421 L422 L423 L424 L425 L426 L427 L428 L429 L430 L431 L432 L433 L434 L435 L436 L437 L438 L439 L440 L441 L442 L443 L444 L445 L446 L447 L448 L449 L450 L451 L452 L453 L454 L455 L456 L457 L458 L459 L460 L461 L462 L463 L464 L465 L466 L467 L468 L469 L470 L471 L472 L473 L474 L475 L476 L477 L478 L479 L480 L481 L482 L483 L484 L485 L486 L487 L488 L489 L490 L491 L492 L493 L494 L495 L496 L497 L498 L499 L500 L501 L502 L503 L504 L505 L506 L507 L508 L509 L510 L511 L512 L513 L514 L515 L516 L517 L518 L519 L520 L521 L522 L523 L524 L525 L526 L527 L528 L529 L530 L531 L532 L533 L534 L535 L536 L537 L538 L539 L540 L541 L542 L543 L544 L545 L546 L547 L548 L549 L550 L551 L552 L553 L554 L555 L556 L557 L558 L559 L560 L561 L562 L563 L564 L565 L566 L567 L568 L569 L570 L571 L572 L573 L574 L575 L576 L577 L578 L579 L580 L581 L582 L583 L584 L585 L586 L587 L588 L589 L590 L591 L592 L593 L594 L595 L596 L597 L598 L599 L600 L601 L602 L603 L604 L605 L606 L607 L608 L609 L610 L611 L612 L613 L614 L615 L616 L617 L618 L619 L620 L621 L622 L623 L624 L625 L626 L627 L628 L629 L630 L631 L632 L633 L634 L635 L636 L637 L638 L639 L640 L641 L642 L643 L644 L645 L646 L647 L648 L649 L650 L651 L652 L653 L654 L655 L656 L657 L658 L659 L660 L661 L662 L663 L664 L665 L666 L667 L668 L669 L670 L671 L672 L673 L674 L675 L676 L677 L678 L679 L680 L681 L682 L683 L684 L685 L686 L687 L688 L689 L690 L691 L692 L693 L694 L695 L696 L697 L698 L699 L700 L701 L702 L703 L704 L</p>
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## REGIONAL & IRISH STOCKS

61		Fin. 15% 97/02	£111½	+
7000	+37	Arnotts	250	
83	-2	CPI Hides	55	-
£11¼	-½	Garrol Jack	130	
235	-5	Dublin Gas	40¢	
		Ham IR. & H.	120	
		Hester Widge	40	
		Irish Ropes	158½	-2

## TRADITIONAL OPTIONS

3-month call rates	
P	
40	NEI
19	Not West Bk
62	P & O Dtd.
50	Plancy
17	Polity Ecl.
24	Postal Fick.

36	RHM	3
37	Rank Org Ord	7
52	Rank Org Ord	

27	STC	3
28	Sears	3
29	Star	3
30	Star	3
31	TSC	3
32	Thomson	3
33	Thomson	3
34	Thomson	3
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A high-contrast, black and white photograph of a man with a beard and mustache, wearing a cowboy hat. He is looking down and holding a cigarette in his right hand. The word "Marlboro" is printed in a large, bold, serif font at the top of the image.

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## AMEX COMPOSITE CLOSING PRICES

**Continued on Page 49**

# FINANCIAL TIMES

## WORLD STOCK MARKETS

### AMERICA

## Dollar, budget continue to depress

### WALL STREET

THE DOLLAR, bonds and stocks drifted lower on Wall Street yesterday as many investors took to the sidelines to await further developments, writes Roderick Oram in New York.

Bond prices slipped by about 1/4 of a point as the continuing decline of the dollar sapped some investors' confidence. Another negative factor was the Washington stalemate over budget cuts.

Stocks opened weakly and fell through the morning. Several feeble attempts to rally failed. The Dow Jones industrial average closed down 58.33 points at 1,900.20, only a few points above its intraday low.

Broad market indices also fell. The Standard & Poor's 500 lost 7.22 to 243.19 and the New York Stock Exchange composite index dropped 3.69 to 135.35.

The full resumption of programme trading resulted in only a handful of trades with negligible direct impact on the market. Some traders thought, however, that some small investors might have avoided the market yesterday, fearing a resumption of the volatility which characterised business during the October massacre.

Overall, NYSE trading volume was only 161.2m, its lowest level

since before Black Monday, with declining issues outnumbering those advancing by a ratio of more than three-to-one. Traders said investors appeared to be waiting for a sign, negative or positive, to persuade them to buy or sell.

Foreign sellers, particularly European unit trusts disturbed by the dollar's continuing decline and Wall Street's inability so far to build a solid floor to stock prices, were noticeably active early in the session.

Takeover stocks were prominent among the rising shares. Timeplex rose 1 1/4 to 32 1/2. The manufacturer of equipment for digital data transmission networks agreed to a takeover by Unisys on the basis of a one-for-one share swap. Unisys fell 3 3/4 to \$30 1/4.

Other computer groups were generally lower. IBM fell 1 1/4 to \$118 1/4. Digital Equipment lost 1 1/4 to \$132 1/4. Apple slipped 3/4 to \$22 1/4. Hewlett Packard gave up 1 1/4 to \$49, and Cray Research was off 3/4 to \$71.

Bell and Howell rose 5 1/4 to \$61. Mr Robert Maxwell, the UK publisher, has declared a 2.3 per cent stake in the publishing and information retrieval systems manufacturer. He joins a number of other suitors including Macmillan, the US publisher, which fell 1 1/4 to \$47 1/4 yesterday.

Seaman Furniture surged \$8 to \$22 1/4 in the over the counter market. Kohlberg, Kravitz, Roberts, the

leveraged buyout specialists, said it would make a \$26 a share offer for the company including shares held by the Seaman family.

CNW gained \$5 to \$25. The Chicago-based railway holding company has received a \$30 a share leveraged buyout offer from Gibbons, Green, Van Amerongen.

SFX slipped 1/4 to \$53 1/4 while investors awaited further news about offers from the railway, energy and real estate group from Henley Group and the Reichman family of Toronto.

A. H. Robbins dropped 2 1/4 to \$17. Signs are growing that it will have to pay out far more to women injured by its Dulles Shield contraceptive device than planned in the takeover offer by Rorer. Rorer, down 1 1/4 to \$35, has given no indication yet whether it will amend or drop its offer for Robbins.

Other drug stocks were also sharply lower yesterday. Credit markets drifted lower in quiet trading with a stalemate between bullish bond investors noting the renewed weakness of stocks and bearish investors worried about the long term implications of the dollar's unrelenting decline.

Short-term rates softened thanks to the downturn in stocks although the flow of money from equity into credit markets was minor compared with last month's deluge. Three-month Treasury bills were unchanged at 5.85 per cent.

By late afternoon bond prices were marginally lower with, for example, the Treasury's 8.75 per cent benchmark 30-year bond down 1/4 of a point at 100 1/4 yielding 8.50 per cent.

The Federal Reserve did three-day system repurchases to add reserves to the banking system. The central bank's action was a shade more aggressive than expected but the Fed Funds rate at which banks lend reserves to each other barely moved from around 6 1/4 per cent.

### CANADA

ALL MAJOR Toronto share groups fell sharply as the market trailed a steep early decline on Wall Street.

Mines and metal issues retreated on a wide front. Noranda dropped 6 1/4 to \$20, Alcan Aluminium slumped 6 1/4 to \$25 1/4 and Cominco fell 3 1/4 to \$21 1/4.

Gold issues sank broadly, with Lac Minerals 3 1/4 down to \$28 1/4 and International Corona falling 2 1/4 to \$45 1/4. Placer Dome also fell back 1 1/4 to \$21 1/4.

Among energy issues, Shell Canada was 1 1/4 lower at \$33 1/4, Texaco Canada 1 1/4 off at \$25 1/4 and Imperial Oil class A down 1 1/4 to \$27 1/4.

### ASIA

## Tokyo dragged lower on uncertain outlook for yen

### TOKYO

THE UNCERTAIN outlook for yen-dollar exchange rates depressed buying and dragged down prices for the second consecutive session in Tokyo yesterday, writes Shigeo Nishizaki of Jiji Press.

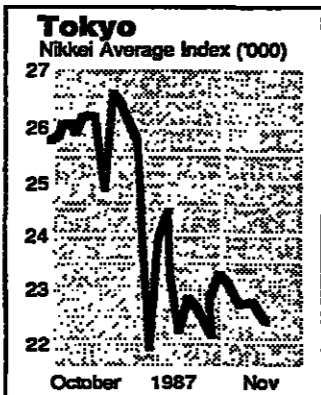
The Nikkei average slipped 218.64 from Saturday's close to 22,418.37. Turnover dwindled sharply from last Friday's 627.5m to 247.2m shares, the smallest this year, falling below the previous low of 257m shares registered on February 9. Declines swamped advances by 676 to 188, with 138 issues unchanged.

Individual and institutional investors kept a low profile as the dollar stayed low, hovering around Y134 all day on the Tokyo foreign exchange market.

For many investors, interest centred on the price movements of Nippon Telegraph and Telephone (NTT), with the Government scheduled to release its second lot of 1.95m shares priced at Y2.55m each. Yesterday NTT tumbled Y80,000 to Y2.45m on heavy late profit-taking.

Some investors are concerned the NTT sale will absorb Y5,000bn from the market and have a major impact on future price movements. Others, though, expect the dull market to regain strength through a successful issue rally firmly led by high-techs.

Among best performers was Chujitsuya, a supermarket chain operator, which firmed Y50 to Y1,150 and Nagasaki, another supermarket chain operator, up Y180 to Y1,880.



### HONG KONG

DESPITE an easier opening, the day ended higher in Hong Kong as the dollar overseas sell orders slackened.

The Hang Seng index rose 25.64 to 2,139.31 as turnover slipped from HK\$1.3bn to HK\$1.1bn.

Trading was dampened ahead of the close of subscription to Cheung Kong's HK\$10.3bn rights issue which is being underwritten by many local institutions, normally the most active market participants.

Cheung Kong, the most active issue, gained 10 cents to HK\$7.00 but was well below its rights issue price of HK\$10.00.

Elsewhere among blue chips, Hutchison Wharfedale eased 5 cents to HK\$7.65 against an issue price of HK\$11.20 and HK Electric added 15 cents to HK\$7.45 compared with an HK\$8.00 when issued price.

### SINGAPORE

THE market remained subdued in Singapore where reports that the economy is expected to exceed previous forecasts were largely discounted.

Issues ended mixed after fluctuating narrowly throughout the session and the Straits Times industrial index rose 3.08 to 823.70.

Singapore Airlines added 5 cents to S\$9.20, while bargain hunting among other blue chips sent DBS up a similar amount to S\$9.05 and Genting 4 cents higher to S\$4.18.

## Seoul rises sharply as trading ban is lifted

SOUTH KOREAN share prices rose sharply in a busy session on the Seoul stock exchange after the Government moved to relax the trading ban by lifting significant restrictions on trading, writes Our Markets Staff.

The Composite stock index surged 3.6 per cent on news of the government action, but closed off its high on late selling to record a net gain of 15.82 at 495.25.

The Government said it will allow brokerage houses, investment and trust firms and other institutional investors to resume buying of stocks, which had been prohibited since April 2 this year. It also announced a cut in the rate of trading commission paid by investors to brokers and said it was considering allowing 25 new brokerage houses to trade in Seoul.

Institutional share purchases were banned following government concern that the stock market was running out of control and needed reining in. Institutional investors had been allowed to sell their shares they already held. Private investors were unaffected by the ban.

Critics of the prohibition said it disrupted trading by artificially lowering the prices of blue chips since companies were forced to sell shares to raise cash they would otherwise have been able to call on from market dealings.

Financial, insurance and car stocks led gains yesterday. Daishin Securities rose 1.30 to won 39,000, Dongguk added 1,500 to won 43,100.

## Exporters resume sharp downturn

### LONDON

INVESTORS in Europe anxiously awaited the outcome of talks by central bankers in Basel, hoping that some degree of dollar stability would halt the slide on stock markets. Blue chips continued to suffer from the weaker US currency and most bourses saw a quiet day as disheartened operators remained on the sidelines.

FRANKFURT slid sharply lower in its worries of a further drop in the value of the dollar prompted foreigners to sell West German shares.

The Commerzbank index shed 88.8, more than 9 per cent, to a year-low of 1,312.4, the sharpest fall since the 7 per cent drop on the October 15. Most shares, however, ended off their session lows.

The dollar was fixed at a record low of DM1.6719 as the Bundesbank made no move to halt the decline.

Deutsche Bank suffered at 6.3 per cent drop to DM458 - a loss of DM22.50 - while fellow bank Dresdner lost DM11 to DM239 and Bayernhypo gave up DM22 to DM323.

Bonds firmed, however, as traders moved out of the lower stockmarket.

There was a favourable reaction to the launch of a new federal government bond, which yielded 6.31 per cent at issue with a coupon of 6 1/4 per cent and a price of 100.50.

ZURICH followed Frankfurt sharply lower as worries about the US budget and trade deficits continued to weigh on the market.

UNCERTAINTY over the direction of the dollar and world stock markets was compounded by the lack of firm news from the Basel meeting of central bankers, overall depressing London equities sharply.

The FT-SE 100 index closed down 55.6 at 1,563.2, while the

FT Ordinary index lost 42.9 to 1,232.8.

Government bonds, though, performed strongly, with gains of a further 4 points in index linked gilts on remarks from the Chancellor of the Exchequer that he was prepared to cut interest rates further if necessary.

The Credit Suisse index shed 18.8 to 427.8, a drop of almost 4 per cent, to a new low for the year.

West German investors unloaded shares in banks, insurers and holdings. In major banks, UBS lost SF180 to SF132.50, Swiss Bank shed SF120 to SF137.50 and Credit Suisse declined SF100 to SF121.50.

Chemical shares were also hard hit. Ciba-Geigy declined SF150 to SF127.50 and Sandos lost SF800 to SF10,000.

AMSTERDAM resumed its free-fall as export-led stocks took another battering on the continuing weakness of the dollar.

The CBS tendency index, closed down 4.8 at 61.6, a fall of 6.4 per cent to a two-year low. The weighted ANP-CBS general index, computed at mid-session, fell 1.07 or 5 per cent to 202.8.

With buyers scarce, most stocks widened their declines as the session progressed, the downturn accelerated after New York stocks opened lower.

In hard hit blue-chips, Akzo

its lowest level since January. The market failed to take heart from lower interest rates and rumours that certain corporate taxes might be reduced.

Volvo dropped SKr17 to SKr257. Electrolux declined SKr8 to SKr212 and Asea lost SKr13 to SKr302.

OSLO tumbled to its lowest level since April 1985 as concern mounted about the falling dollar and its effect on North Sea oil revenues.

The all-share index dropped 19.75 to 254.94 in low turnover as investors stayed away.

Norsk Hydro sank Nkr21 to Nkr143 despite announcing a dramatic increase in third quarter profits.

MILAN slumped to a new 1987 low as heavy sell-off sent prices broadly lower and the MIB index dropped 3.64 per cent to 861.

Political tension in the coalition government over redrafting the 1988 budget and the threat of a general strike hung over the market and aggravated the nervous mood.

Blue chips suffered in the sell-off. Fiat fell 1,555 to 17,993, Montedison declined 1,498 to 11,430, Pirelli lost 1,101 to 13,470 and Olivetti dropped 1,210 to 14,810.

HELSINKI remained wary of developments on world markets and slipped quietly lower with blue chips continuing to be affected by the lower dollar. The Unitas all-share index closed 0.6 per cent lower.

MADRID was closed for a local holiday.

## Belgian utilities ease the shock

INVESTORS in Belgian shares are taking flight to the country's local electricity stocks in an attempt to insulate themselves against market shocks, writes William Dawkins in Brussels.

Utilities on the Brussels stock market have held up surprisingly well in the chaos inflicted by the world collapse in equity prices and the local uncertainty created by the resignation of Mr Wilfried Martens as Prime Minister.

While the market as a whole has lost more than 20 per cent of its value since its mid-August peak, Ebes and Intercom, the main electrical supply companies, have only lost 20 per cent of their value.

With their net yields of

around 5.5 per cent, the big foreign institutional investors see them as a safe alternative to more price-sensitive issues.

"When everything is slowing down, high yields and low growth are seen as the most prudent strategy," says Mr Patrick Vermeulen, an analyst at stockbrokers De Wae.

If utilities have withstood the shocks well, formerly highly rated Belgian retailers have been the hardest hit, with GB-Inno and Delhaize both down 45 per cent since the bull market's final mid-August fling.

The Brussels market's most distinguished casualty has been the country's biggest industrial and commercial holding compa-

ny. Its shares yesterday languished at BF12,310, a 45 per cent decline from their BF14,300 peak in July.

The evaporation of earlier speculation that a bidder was about to pounce and the lukewarm reception given to the group's BF180m share issue have left Societe Generale as the market's unloved giant.

"Apart from Societe Generale, the market as a whole seems oversold," says Mr Marc de Brouwer, head analyst for stockbrokers Petercam. "You have fine industrial companies on price earnings ratios of five or six in good shape and easily able to maintain their dividends even in the event of a recession. That is not justified."

In that category, he includes Solvay, the chemicals group, CBR, the cement producer and Galberet, the glass maker.

Overall, the Belgian market stands on a pile of almost 9.5, where the net yield is 4 per cent. The consensus among Brussels brokers is that it does not have much further to fall.

Mr Martens' resignation was prompted by his centre-right Government's inability to patch up an eccentric - but fundamental - language dispute involving the French speaking mayor of a Flemish area.

The crisis has, to the corporate sector's dismay, brought a halt to the Government's tax reforming and budget cutting efforts.



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Chris Sherwell in Sydney examines the divergence of prices for bullion and gold stocks

## An implosion on the gold minefield

AUSTRALIAN gold stocks, down 57 per cent at the end of last week from their peak a mere seven weeks earlier, have lost more ground than the bullion price, as a whole because they were previously over-bought, according to brokers analysts.

But in the wake of the worldwide share crash, analysts show little agreement on whether gold shares should have been hit as hard or have now come to represent good value.

In this trading yesterday, Australian markets improved marginally from their Friday close, when they fell to a 13-month low. The All-Ord shares index was up 13.4 points to 1,250.9, while the gold index, covering 44 companies, rallied 33.7 points to 1,824.7.

For gold shares this is a small shift compared to the movements of the past three weeks. While some gold shares have been harder hit than others, none has been spared.

Of the big producers, Western Mining stood at A\$4.97 yesterday, down from its September peak of A\$12.00. Kidston was at A\$4.10, down from a high of A\$10.10, and BHP Gold was at 91 cents, down from A\$1.50.

Among the smaller groups, Elders Resources dropped to A\$1.35, having reached a high of A\$5.78 and Poseidon slid to A\$2.65, down from A\$10.20.

The rapidity and severity of this plunge in gold shares has stunned everybody. At its peak on September 21, the gold index stood at 4,132. However, there is no doubt that its meteoric rise was just as remarkable: in May

1986 the index stood at just 826. Both trends have been sharper than those in the market generally. They have also raised questions about the link between bullion prices and gold share prices. On the way up, gold stocks were widely seen as the easy way into bullion. With the share crash, though, the two have parted company.

On October 19, bullion was above US\$481 at a 4 1/4 year high. It has since gyrated, moving down to US\$468, back up to US\$480, and, last Friday, back to US\$496.

Although the trend appears down, the fall is far less than that suffered by equities. The decline suggests that general worries about inflation built in to the bullion price before the crash have since been removed because of fears of a recession.

Either way, bullion prices have remained more constant in Australian dollar terms because the Australian currency has weakened from more than 72 US cents to around 68 US cents.

GOLDS rallied in Johannesburg as investors grew confident that the world bullion price will strengthen.

The all-gold index gained 69 points to end provisionally at 1,586 while the overall index rose 73 to 1,804.

But some brokers noted that the nervousness and downturn were still in evidence and were doubtful that the recent sell-off had ended.

For Australian gold shares, however, the story is very different. Last year, the weakness of the Australian dollar, coupled with the helpful effects of corporate taxes on gold mining companies, helped Australian gold shares put on their astonishing gains.

These two factors transformed the economics of gold mining, putting production costs well under half the bullion price. When international investors recognised there was a semi-official floor under the Australian currency, capital flooded in to the Australian market and in particular into gold stocks.

On top of this, gold also looked generally attractive because of worries about Third World debt, South Africa's political troubles and concerns about a resurgence of inflation.

Now, in the wake of the share market collapse, bullion still looks relatively attractive and the economics of production more than satisfactory, but gold shares have plummeted.

Randfontein advanced R20 to R300, Vaal Reef gained R11 to R208 and Southval R12.50 to R156.50.

Among lower priced gold issues, Driefontein ended R2 higher at R37 and Harties rose R1.75 to R22.25.

Diamond share De Beers was R1 up at R31.50, while in the platinum sector, Impala advanced R2.80 to R31 and Rustenburg gained R2.25 to R31.25.

Journalist

**WE STARTED WITH  
A BIG IDEA.**

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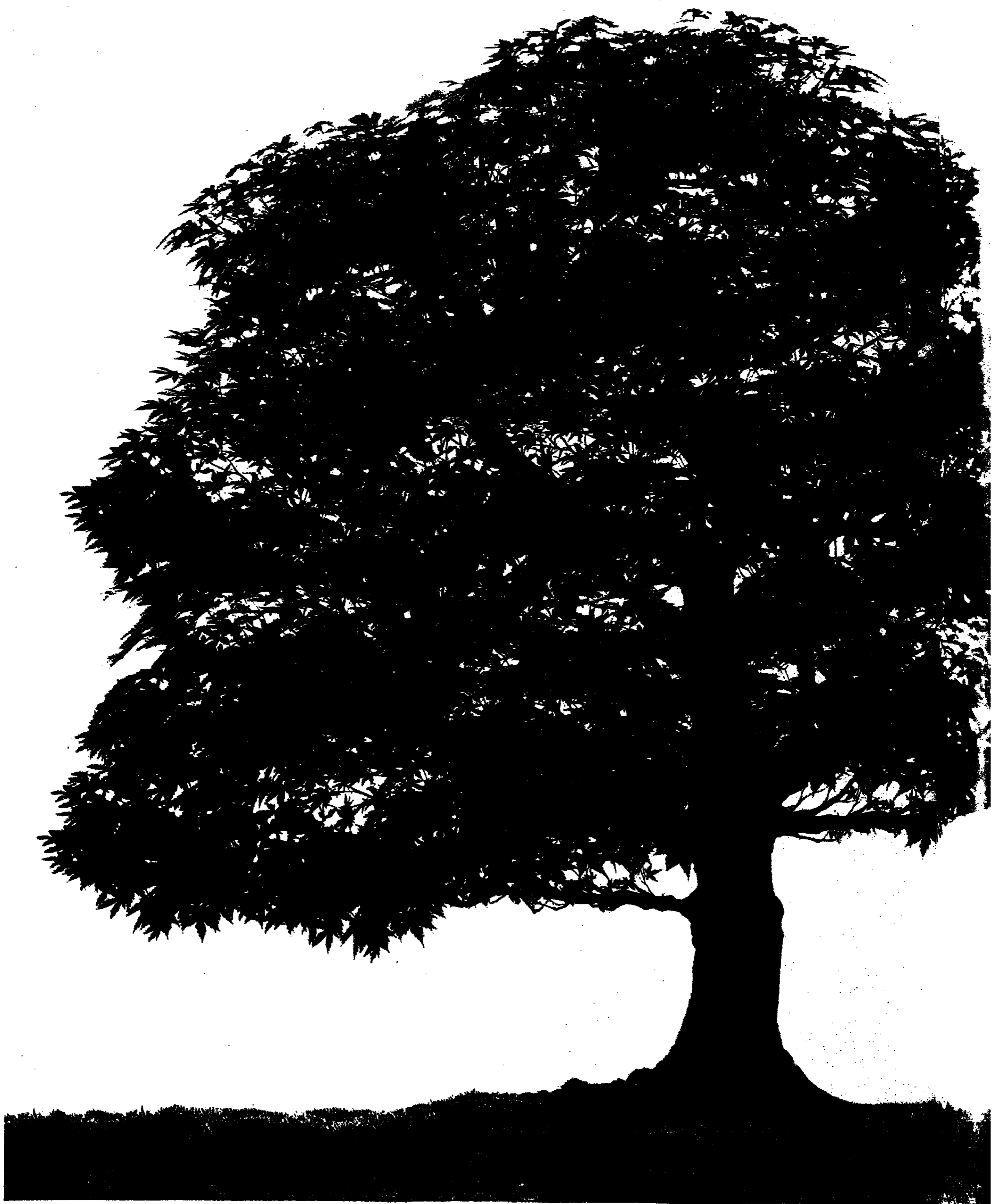


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# THEN WE LET NATURE TAKE ITS COURSE.

In 1919 Fredrik R. Bull started with the seed of a good idea. To produce a more efficient statistics processing tabulator.

Nearly seventy years later Groupe Bull is in the same business of data processing and communications. Though of course, the business now is light years away in terms of sophistication, innovation, application and breadth.

Bull is now an international business, operating in 75 countries with 26,800 employees (without counting Honeywell Bull Inc.). And it is the second largest sales network in the world.

This remarkable success hasn't happened just by accident. It has taken careful nurturing.

In particular the last three years leading up to the recent agreement with Honeywell and NEC have proved the most fruitful.

We knew then that we had a unique opportunity. We could provide the market with a genuine alternative source for all their data processing and communication needs.

But to do this we needed support. It was then that we hit on the solution. A very simple formula.

## BULL AND ITS CUSTOMERS A WINNING TEAM.

By working with our customers on their individual problems, together we could not only produce adequate solutions, but also we would benefit from having a deeper understanding of the market needs.

So the first objective was for Bull to become flexible enough to be able to respond effectively to the individual needs in an international market.

To achieve this we decided to develop inter-communicating systems that were not only adaptable in the extreme, but that respected our customers' freedom. In other words, systems that would allow any individual workstation to plug directly into other data processing, telematic or office automation services on the system.

Everything that we have done for years in terms of development has been done in line with this strategy.

## CUSTOMERS' FREEDOM.

The competitiveness of a company today depends on the quality of its people and the uses made of its capital of information. By developing systems that can communicate more freely with each other, Bull brings its customers more efficient circulation of, but also interaction with, their total capital of information.

For Bull's customers, this greater freedom to communicate means greater freedom to choose, to combine and, ultimately, to grow.

Freedom to choose among large and medium systems, among scientific and industrial minicomputers, among distributed data processing and office automation systems, among professional micro-computers.

Freedom to combine, allowing Bull's products and systems to be integrated into existing structures, even those made with material from other manufacturers.

Freedom to grow, because Bull is dedicated to adapting itself and its solutions to the evolution and growth of its customers.

## THE TREE OF COMMUNICATION.

To symbolize Bull's commitment to communication, growth and flexibility, the tree was a natural choice. Constantly evolving, with its roots in solid ground and its branches reaching for the sky, the tree is present throughout the world, in as many shapes and sizes as there are businesses and organizations.

Small trees, like small systems, need to be nurtured in order to grow. And as they grow, circulation, be it of information or of life-giving sap, is of the utmost importance.

To do this, the tree must draw on all the resources in its environment. The larger the tree - or the system - grows, the more it must communicate, interact and exchange, across time and across space.

This growth happens naturally, but not always predictably, and it is Bull's strength to have understood that companies need the freedom to expand in a way that is germane to their specific concerns and needs.

## HONEYWELL BULL INC.: A NEW DIMENSION.

Growing out of our aim to put Groupe Bull at the forefront of the world computer market by 1990 was our agreement with Honeywell and NEC to form Honeywell Bull Inc.

This not only gives us the complete spectrum of computer hardware and software we need for the benefit of our customers. But it will also add considerably to our detailed understanding of the global market, and give us a worldwide presence and size to face market requirements.

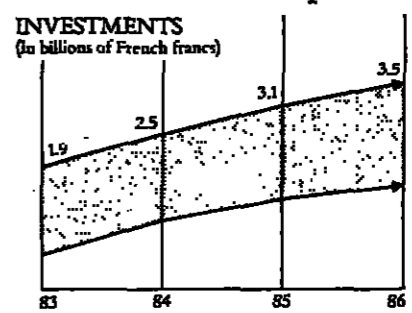
For Groupe Bull, control of Honeywell Bull Inc. is furthermore an outstanding opportunity to complete its European presence and gain access to the US market by benefiting from the close ties established between Bull's teams and those of Honeywell over the past 17 years.

In the light of this agreement, the expansion of co-operation with the Japanese group NEC is in keeping with Bull's strategy of alliances in which it is presently engaged with European industrialists.

## PREPARING THE GROUND FOR FUTURE GROWTH.

Heavy commitment to a continuing program of research has to be at the root of all our future developments.

Our program is as deep as it is broad to give us the strongest of foundations. And it is carried out in line with our strategy of cooperation in partnership with both university and industrial laboratories.



So, for instance, in conjunction with other major European computer companies, we are exploring the area of artificial intelligence and the products that can be developed from it.

We are involved with our customers to help them improve the efficiency of the software they have developed themselves.

We are part of a consortium that has developed the software now adopted by the European Esprit program.

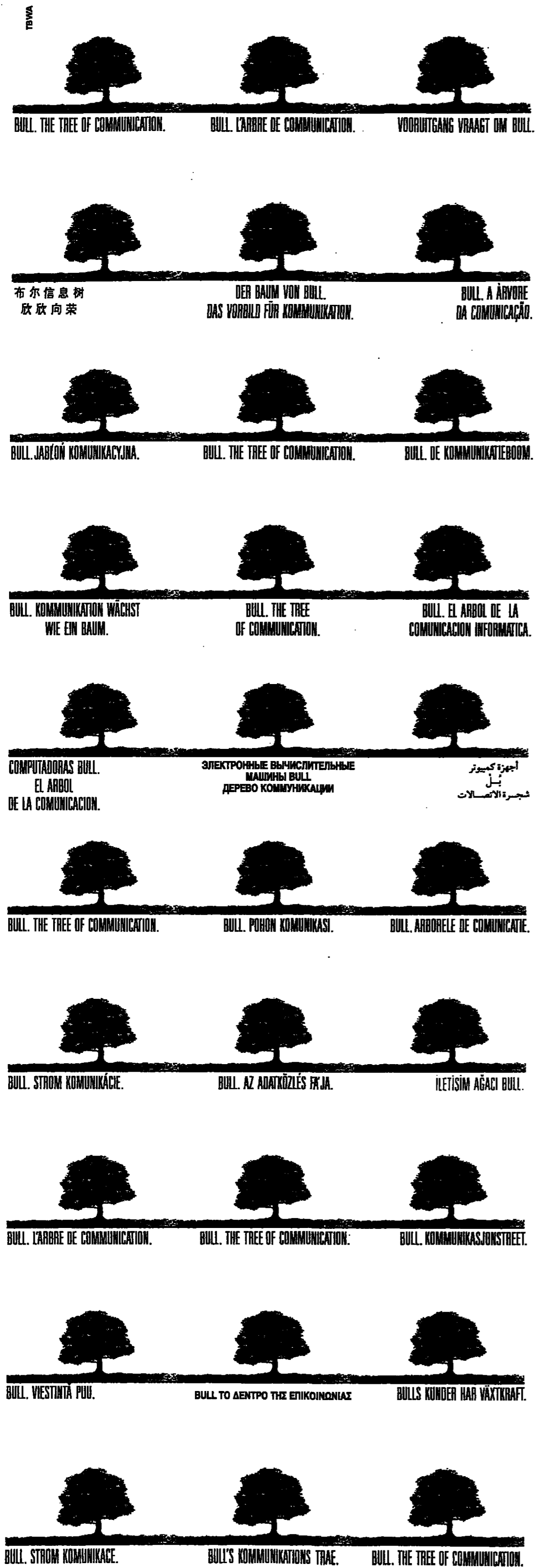
In fact, on the Esprit program alone, we are participating in over thirty projects with more than a hundred different partners in industry and the universities.

## FRUITS OF PROGRESS.

True to its goal to remain in the vanguard of technological innovation, Bull is constantly seeking out new and better ways to meet its customers' information processing needs. Examples of this commitment to developing solutions are to be found in the products Bull has recently introduced.

In the area of general purpose data processing, for instance, Bull's new DPS 7000 midframe computers are a case in point.

The result of an ambitious program of research and development, Bull DPS 7000 is a departmental system which combines versatility with ease of operation. Already, it has gained the respect and admiration of computer professionals the world over. As a matter of fact, the Bull DPS 7 range of systems was given top ranking in the 1987 Datapro Research Corp. report on user satisfaction in the U.S.



# NOW WE'RE SPRINGING UP ALL OVER THE WORLD.

Or, in the area of minicomputers, the new Bull DPS 6 Plus is a state of the art product particularly well suited to the fields of communication, office automation and telematics.

The Bull DPS 6 Plus not only represents a giant leap forward in terms of flexibility and ease of use, but is specifically designed for the rapidly evolving concerns and needs of its users. In this, it embodies one of Bull's key precepts: continuity through adaptability.

On a somewhat different - but no less important - scale, Bull has developed the Bull CP8\* electronic micro circuit card.

With its indelible logic memory and microprocessor, the Bull CP8\* card can be used to control access to central computers and data bases, while protecting the privacy of data transmitted over public and private networks in remote data processing and telematic applications.

Already in use as a means of electronic payment, the Bull CP8\* card also provides the possibility of creating portable individual files, containing personal and confidential data.

With these products and others, Bull is steadily and continually branching out into the future.

\* Innovatron Licence patent.

## BRINGING IT ALL TOGETHER.

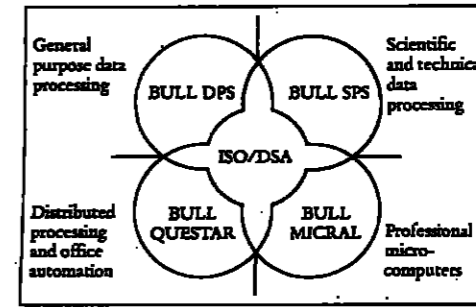
Not only present but vitally active in the four main areas of information processing, Bull has amply proven its ability to come up with creative, coherent and relevant solutions. Whether it be general purpose data processing, scientific and technical data processing, distributed processing and office automation or professional micro-computers, Bull offers well-rounded ranges of products to its customers.

Like the branches of a tree, these four areas couldn't exist coherently without a system of circulation, enabling them to work together within a single network of information. Bull's ISO/DSA network architecture does just that.

Developed in line with international standards, ISO/DSA is designed to allow the various systems to communicate within homogeneous or mixed networks.

This is just one more way that Bull guarantees its customers freedom of choice. With ISO/DSA, from the smallest network up to the largest, smooth evolution is ensured, even with structures involving elements built by other manufacturers.

At Bull, we've understood that intercommunication is what holds a sound information processing system together.



## TRAINING FOR MORE FRUITFUL RESULTS.

In one way, our business is all about intelligence. And that is a human ability which is totally dependent on the quality of our international staff. A team of 26,800 men and women.

We believe the more we help these individuals develop their talents, the more we encourage them to cooperate and to work as a team, the more it will benefit our customers, ourselves and our staff.

To this end, Bull created a special quality control division in order to ensure no-fault performance at every level of the group's operations. Each of Bull's 26,800 employees, from the receptionists right up to top management, has taken an extensive quality training program to guarantee Bull's customers complete satisfaction, whatever their specific needs or requests might be.

As we believe so strongly in working in partnership with our customers, we carry out a multinational annual survey of customer satisfaction with the aim partly to correct any faults in our services, but mainly so that we can anticipate any changes in their needs.

## THE SWEET SMELL OF SUCCESS.

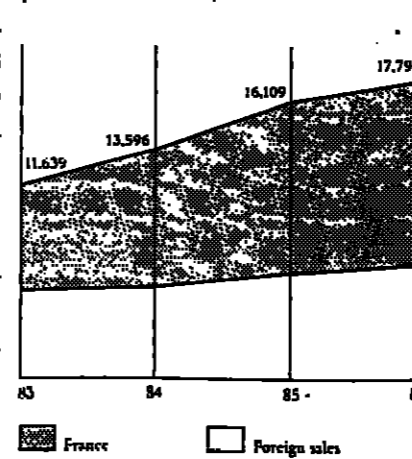
The policies which were first implemented in 1983 are beginning to bear fruit. The financial situation continued to improve during 1986. Net profit was up more than two and a half times over the previous year: FF 271 million in 1986 compared to FF 110 million in 1985.

Revenue was also up, 10.5% to FF 17.8 billion, including FF 6.1 billion realised outside France.

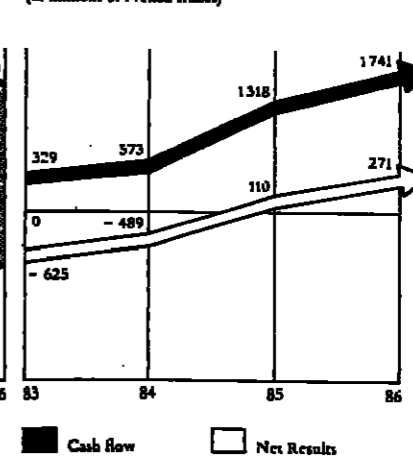
Cash flow represented 9.8% of revenue and was up to FF 1,741 million in 1986 against FF 1,318 million in 1985.

Bull and its customers indeed form a winning team. Bull. The tree of communication.

WORLDWIDE REVENUE  
(in million of French francs)



CASH FLOW AND NET RESULT  
(in million of French francs)



# Bull